Indian Audit

and

Accounts Department

Its Evolution, Organisation and Functions

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FOREWORD

The Codes and Manuals issued by the Comptroller and Auditor General of India describe the organisation and functions of his department but except the Codes relating to Accounts they are not available to the public, nor do they deal with the evolution of the department since it was set up in the early days of British rule. The desirability of having the history of the department written up was considered by the department even before the advent of Independence but no substantial progress was made in this direction. The idea was, however, never given up. So when Prof. V. K. N. Menon, then Director of the Indian Institute of Public Administration, approached my predecessor Shri A. K. Chanda with a proposal for assistance in the preparation of a monograph on the Indian Audit and Accounts Department, to be published by the Institute, the latter readily fell in with the idea and entrusted the task to Shri M. S. Ramayyar, then Additional Deputy Comptroller and Auditor General. The monograph was to deal with the evolution of the department in addition to its present organisation and functions.

Permission was given to Shri Ramayyar to use unpublished records relating to the department.

The book with its wealth of detail relating to the evolution of the department and its clear delineation of the position consequent on the Constitutional change and the latest opinions relating thereto, will help all working in or connected with the department to better appreciate the department's role and responsibilities. As the Audit Act contemplated in Art. 149 of the Constitution is yet to be passed by Parliament, the Legislators will find it useful while dealing with the measure when it comes before Parliament. As every country's institutions are shaped by its own history and national genius other countries will find it interesting to know how the role, responsibilities and character of the Indian Audit and Accounts Department have come to be shaped.

The Department is grateful to the Institute of Public Administration and to Shri M. S. Ramayyar for having undertaken the publication of the monograph. We have ourselves given whatever assistance we could; but the

opinions and statements expressed in this book are entirely Shri M. S. Ramayyar's and the Department takes no responsibility for them.

New Delhi,
August 12, 1966.

A. K. ROY
Comptroller and Auditor General of India

PREFACE

Audit as a function independent of the executive is a *sine qua non* of a democratic form of Government. The exercise of this function and its interaction with executive functions is a subject of lively interest to the practitioners as well as students of Public Administration in India and abroad. It is of equal interest to ligislators. Hence the Institute requested Shri M. S. Ramayyar to prepare this monograph.

Shri M. S. Ramayyar has been closely associated with the activities of the Indian Audit and Accounts Department for nearly four decades, from 1920 to 1959. The monograph traces the progressive growth in the status and independence of the Comptroller and Auditor General of India since the early days of British rule. It also indicates directions of future change.

The author has focussed attention on a peculiar feature of the present system in which, with rare exceptions, the responsibility for maintaining the accounts of the Union and State Governments also vests in the Auditor General. The author has discussed in detail the merits and demerits of the approach to separate the function of maintenance of Accounts from Audit.

The author has emphasised the mutuality between Audit and Administration and the need for harmonious inter-play between the two. The function and role of Audit in India has also been compared with that obtaining in some other countries.

The monograph points out certain differences between the *de jure* and *de facto* positions in regard to the functions of the Comptroller and Auditor General in the light of a recent legal examination of Articles 149, 150 and 151 of the Constitution.

The Institute is grateful to Shri A. K. Chanda and Shri A. K. Roy former Comptrollers and Auditors General for all the help given by them to Shri Ramayyar in this effort. We are also grateful to Shri S. Ranganathan the present Comptroller and Auditor General for his advice and co-operation in this project.

As pointed out by Shri A. K. Roy in his foreword, all the statements and views expressed in this monograph are those of the author and not of the Institute which sponsored the project nor of the Comptroller and Auditor General who provided facilities for it.

Indian Institute of Public Administration,
New Delhi,
May 15, 1967.

J. N. Khosla
Director

INTRODUCTION

When the Comptroller and Auditor General of India, Shri A. K. Chanda, entrusted me with the task of writing a monograph on the evolution, organisation and functions of the Indian Audit and Accounts Department, I gladly accepted the assignment, as I had served through all the successive reforms since 1919 and got encouragement and appreciation both from him and his predecessor Shri V. Narahari Rao. The task was formidable as it involved a great deal of study and of research into archival and other records, which could be done properly only by devoting undivided attention, free from preoccupation with current work, *i.e.*, after my retirement. This accounts for the time lag in the production of this monograph.

I have dealt with the evolution of the department under different topical heads. While making for clarity such treatment has inevitably led sometimes to the same matter coming under different heads. I have tried to reserve more detailed treatment in such cases to the topical head most concerned, making only a passing mention under other heads.

I am grateful to Shri A. K. Chanda for the confidence he reposed in me in entrusting the task to me and for getting Shri A. K. Srivastava of the Indian Audit and Accounts Service to do some valuable spade work in this connection which I gladly acknowledge with thanks.

I am also grateful to Shri A. K. Roy, the next Comptroller and Auditor General who placed at my disposal the services of an experienced Accountant, Shri H. L. Bhattacharya, who was of immense help to me in gathering all the necessary material. In this task the officers and staff of the Directorate of Indian National Archives, New Delhi, gave their unstinted co-operation for which I am very grateful. Typing assistance required by me was rendered by Shri J. C. Khanna on the personal staff of the Comptroller and Auditor General in addition to his regular duties. The Comptroller and Auditor General was kind enough to favour me with his advice and suggestions on the draft chapters by which I benefitted immensely. He was further pleased to write the Foreword.

Shri S. Ranganathan even as Comptroller and Auditor General designate took keen interest in the book and I am grateful to him for several suggestions which have enabled me to improve the book.

Lastly, I wish to thank Prof. V. K. N. Menon to whose sponsoring while Director, Indian Institute of Public Administration, the book owes its genesis. The last chapter on Audit in other countries was written at his suggestion, notwithstanding difficulty in gathering the required material. I owe a deep debt of gratitude to Dr. J. N. Khosla, the present Director for having arranged the publication of this book by the Institute from its limited resources.

New Delhi,
April 12, 1967.

M. S. RAMAYYAR

PART I

General Survey

CHAPTER I

THE INDIAN AUDIT AND ACCOUNTS DEPARTMENT TODAY

Broad Outline

The Indian Audit and Accounts Department is the organisation at the disposal of the Comptroller and Auditor General of India for the discharge of the various functions imposed upon him by or under the Constitution of India. The volume of financial transactions with which he has to deal in a variety of ways is so great and complex that it is necessary for him to function with the aid of a large organisation under a number of Heads of Departments, who are themselves provided with a hierarchy of trained officials. It is the object of this publication, to trace the evolution of this organisation, its constitution and its functions and along with it of that high dignitary, the Comptroller and Auditor General of India, who is its supreme head.

Raison D'etre of Audit

The Indian Audit and Accounts Department headed by the Comptroller and Auditor General of India may be described as one of the four pillars of India's democratic constitution, the other three being the Executive, the Legislature and the Judiciary. It is one of the four agencies of financial control along with the Legislature, the Administrative Ministries and the Finance Ministry. Money has often been described as the fuel of the administrative machine or the blood stream of administration and correct accounting of monetary transactions and their audit by an independent authority are essential adjuncts to the efficient financial administration and good government of any country, more so where a democratic form of government prevails. Some form of audit on behalf of Parliament/Legislature is a common feature of all democratic countries in the World, though functions and techniques of audit may not be uniform. The Indian Constitution largely follows the British model, including its practices and conventions, but with a federal structure with power divided between the Union Government and the 17 State Governments and rather weighted in favour of the former. The Comptroller and Auditor General of India is common to the Central and the State Governments. He is not a primary auditor.

There is an Accountant General under him in every State, looking after its accounts and audit. For the audit of Central (Union) transactions there are under him, the Accountant General, Posts and Telegraphs, the Director of Audit, Defence Services, the Director of Railway Audit, the Accountant General, Central Revenues, and the Accountant General, Commerce, Works and Miscellaneous. Every State Accountant General also audits, with some exceptions, Central transactions within the State. The Director of Commercial Audit, the Director of Audit, Indian Accounts in the United Kingdom and the Director of Audit, Indian Accounts in U.S.A. audit both Central and State transactions in their jurisdiction. Besides the Headquarter office of the Comptroller and Auditor General there is a large number of offices covering the several branches of audit functioning in the Indian Audit and Accounts Department. These are dealt with in greater detail in Part II.

As in the United Kingdom, it is the prerogative of the Executive in India to propose demands for money or the imposition or augmentation of taxes, while the right of supreme control over taxation, the grant of supplies for public expenditure and along with it the right to control appropriation of moneys to meet such expenditure vest in the Parliament/State Legislatures. No taxes can be levied or collected except by authority of law. All revenues received by Governments, all loans raised by and all moneys received by them in repayment of loans flow into the Consolidated Funds of India and of the States. No moneys out of this Fund can be appropriated except in accordance with law and for the purposes and in the manner provided in the Constitution and no withdrawal from this Fund can be made unless covered by appropriation made in an Appropriation Act. There is a special procedure in respect of Money bills. A Money bill cannot be introduced in the Council of State/Legislative Council and the House of the People/Legislative Assembly is given the power to accept or reject all or any of the recommendations of the Council of State/Legislative Council and the bill is deemed to be passed by both the Houses in the form in which it is passed finally by the House of the People/Legislative Assembly. A Money bill not returned by the Council of State/Legislative Council within 14 days from the date of the receipt of the bill is also deemed to have been passed by both the Houses at the expiration of that period in the form in which it was passed by the House of the People/Legislative Assembly. The provisions detailed above give the House of the People/Legislative Assemblies in India practically the same control over the finance of the country as the House of Commons has in the United Kingdom.

The power of the Parliament/Legislature to vote supplies and control appropriations by itself will be of little avail if no provision is made for

securing compliance with grants and appropriations. This power of Parliament/Legislature has to be accompanied by the right to satisfy itself that money has been spent only for the purposes for which it has been voted, *i.e.*, within the scope of the grant, is not in excess of the appropriation, is in accordance with law or rules and regulations and has been incurred with due regard to economy. The Executive is but one arm of the Legislature to execute its policies. As Agent, it is accountable to the Legislature regarding the way in which it has spent the money given to it. The Parliament and State Legislatures have little time to go themselves into these details and democratic countries have found that there are practical advantages in utilising for this purpose an expert and independent agency. This is in fact done in India through a constitutional authority, the Comptroller and Auditor General of India and the organisation under him.

Even in the United Kingdom the recognition that an independent probe into financial transactions on behalf of Parliament is necessary did not come too early and, was the culmination of a series of historical events dating back to King John and the Magna Carta (1215). The development of representative government in Great Britain has been in a way the history of control of taxation and public expenditure by Parliament rather than by the Crown. The next landmark after 1215 is the Bill of Rights passed in 1688. It established the right of the Commons not only to determine the extent of taxation, but also the particular purposes for which money was to be spent. But for a long time thereafter until 1866 the focus remained on controlling the issue of money from the Exchequer and not on how the money was utilised after it came into possession of the Executive Government. Speaking at the beginning of the present century Lord Welby said, "I have always been greatly struck, by the fact that for, you may say, a hundred and sixty years, the House of Commons, always anxious to establish its control, should have remained all that time under the illusion that it could control expenditure by putting checks upon the issue of money from the Exchequer instead of ascertaining how the money had been spent. It is most singular that all the able men who represented the House of Commons during that time should have remained under that illusion."

Only in 1866 when Gladstone got through the Exchequer and Audit Act was the office of the Comptroller and Auditor General established in its present form. It completed the measures for Parliamentary control of expenditure by providing the Commons, ever jealous of their financial prerogatives with the means of finding out that the grants voted by them were being utilised by the Crown for the very functions intended by them. The Comptroller and Auditor General "was conceived as a powerful servant

of the House, armed with strong powers to perform clearly enunciated statutory functions". The Comptroller and Auditor General of India and his department have other functions as well. They are described broadly below and will be found in greater detail in Part IV.

CONSTITUTIONAL BASIS FOR THE FUNCTIONS OF THE COMPTROLLER AND AUDITOR GENERAL

The Government of India Act, 1935 provided that the Auditor General of India shall perform such duties and exercise such powers in relation to the accounts of the Federation and of the Provinces as may be prescribed in, or by rules made under an order of His Majesty in Council. Under this provision the Government of India (Audit and Accounts) Order, 1936, which came into force from the 1st April, 1937, was promulgated. Under this Order, the Governor General made the "Initial and Subsidiary Accounts Rules", which also came into force on the 1st April, 1957. The Indian Independence Act, 1947, provided for the creation as from the 15th August, 1947, of the two Dominions of India and Pakistan by partitioning India. Until the inauguration of the Republic on the 26th January, 1950, India remained a Dominion and was governed by the Act of 1935 with modifications. The Governor General was given full powers to give assent to the amendment of the 1935 Act to give effect to the Indian Independence Act. The Government of India (Audit and Accounts) Order of 1936 was adapted by the India (Provisional Constitution) Order, 1947.

The Constitution of India, which came into force from the 26th January, 1950, envisages an Act of Parliament to regulate the duties and powers of the Comptroller and Auditor General in relation to the accounts of the Union and of the States and of any other authority or body and until such an Act is passed it lays down that he should perform such duties and exercise such powers in relation to the accounts of the Union and of the States as were conferred on or exercisable by him immediately before the commencement of the Constitution in relation to the Dominion of India and of the Provinces respectively. Though a comprehensive Bill to regulate the duties and powers of the Comptroller and Auditor General has been under contemplation for some years, it has not yet taken final shape. Meanwhile there have been some enactments relating to Public Undertakings taking the form of Statutory Corporations which provide for audit by the Comptroller and Auditor General either as sole Auditor or independently of the audit conducted by the professional auditors. There are a few exceptions. The Companies Act, 1956, also empowers him to conduct audit scrutiny of government companies

over and above the audit conducted by professional auditors appointed by Government on his advice. (*see* Section E of Chapter XIV). A trend has also set in to bring more categories of receipts under the purview of audit by the Indian Audit and Accounts Department with the concurrence of Government under the previously existing law. Thus while Customs receipts have been subject to audit since 1913, audit of receipts from Union Excise, Corporation Tax and Income Tax which are the other major heads from which the bulk of the Central revenues is derived was taken up recently from the 1st of April, 1961. (*see* Section B of Chapter XIV). In the States also audit has been entering new fields of receipt audit. Otherwise in general the position prior to the 26th January, 1950, continues to prevail except to the extent it is deemed to be inconsistent with the more specific provisions in the Constitution.

AUDIT DUTIES

Under the Audit and Accounts Order it was the duty of the Auditor General:

"(*i*) to audit all expenditure from the revenues of the Dominion, and of the Provinces and to ascertain whether moneys shown in the accounts as having been disbursed were legally available for and applicable to the service or purpose to which they have been applied or charged and whether the expenditure conforms to the authority which governs it;

(*ii*) to audit all transactions of the Dominion and of the Provinces relating to debt, deposits, sinking funds, advances, suspense accounts and remittance business;

(*iii*) to audit all trading and manufacturing and profit and loss accounts and balance sheets kept by order of the Governor General or of the Governor of a Province in any department of the Dominion or of the Province; and in each case to report on the expenditure transactions or accounts so audited by him."

The Auditor General could with the approval of, and should if so required by the Governor General or Governor of a Province audit and report on:

"(*i*) the receipts of any department of the Dominion or, as the case may be, of the Province;

(*ii*) the accounts of stores and stock kept in any office or department of the Dominion or, as the case may be, of the Province."

The Governor General or Governor could after consultation with the Auditor General make regulations with respect to the conduct of audit of

receipts and stores and stock.

The Audit and Accounts Order gave powers to the Auditor General to call for such information as he may require for the preparation of any account or report which it was his duty to prepare. It also gave him authority to require any books or other documents relating to transactions to which his duties in respect of audit extend to be sent to such place as he might appoint for inspection by him. An exception was, however, made in the Audit and Accounts Order that if the Governor General or the Governor of a Province certifies that any such book or document is a secret book or document, the Auditor General should accept as a correct statement of the facts stated in that book or document, a statement certified as correct by the Governor General or by the Governor, as the case may be. It has been considered that this exception is not consistent with Art. 151 of the Constitution.

In regard to the Audit duties of the Comptroller and Auditor General under the Constitution it has been authoritatively held that the position has *de jure* undergone a great change from that under the Audit and Accounts Order of 1936 though in practice the *status quo* continues to be maintained. Art. 151 of the Constitution deals with Audit Reports. The words used are "relating to the accounts of the Union" and "relating to the accounts of the States", that is to say, that the Audit Reports must relate to the totality of the accounts of the Union and of the States. Since the Audit Report must relate to the totality of the accounts of the Union and the States, the Comptroller and Auditor General has to audit the entire accounts of the union and the States. No portion of the accounts of the Union or the States can be kept outside the purview of the audit of the Comptroller and Auditor General or entrusted to any other person. Any legislation under Art. 149 of the Constitution has to take note of this fact. That Article cannot be read in isolation from Arts. 150 and 151. Each of these Articles has to be interpreted having regard to the other Articles so that a harmonious and consistent interpretation of the relevant provision on the subject is possible. The fact that the Comptroller and Auditor General is the sole authority for audit in relation to government accounts has been accepted by the Government of India and explicitly stated in the following words on the floor of the House of the People by the then Finance Minister Dr. C. D. Deshmukh in connection with the debate on the Life Insurance Corporation Bill on the 21st May, 1956:

> "Art. 149 lays down that the Comptroller and Auditor General shall perform such duties and exercise such powers in relation to the accounts of the Union or of any other body as may be prescribed by or under any such law made by Parliament. There is no doubt that in respect of transactions which enter into government accounts

of the Union he is automatically the audit authority."

It is only in respect of any authority or body (outside the accounts of the Union or the States) that Parliament has plenary powers to prescribe the duties and powers of the Comptroller and Auditor General.

Anything which under the Audit and Accounts Order was required to be done by the Auditor General could be done by an officer of his department authorised by him either generally or specially. There was only one exception to this, *viz.*, that except during the absence of the Auditor General on leave or otherwise, no officer could be authorised to submit on his behalf any report which the Auditor General was required by the Act to submit to the Governor General or the Governor of a Province. Under this provision the Auditor General has authorised the Accountants General and other officers and establishments of the Indian Audit and Accounts Department to perform under his special or general directions all such duties and functions as are imposed on or undertaken by the Auditor General. That is why in describing the functions of the Indian Audit and Accounts Department in this Chapter, actually the functions and powers of the Comptroller and Auditor General have been described.

As stated by Sir Frederic Gauntlett, a former Auditor General, in his third lecture on "Position of Audit under the Reforms Scheme of 1919":

> "Audit in India is entirely under the control of the Auditor General and the statute therefore refers to the Auditor General and his duties and does not directly mention the Audit Department. To grasp clearly the position of Audit under the Reforms Scheme, we have therefore to study the statutory provisions regarding the Auditor General."

These remarks hold good for the Government of India Act, 1935 and the Constitution of 1950 also.

Accounting Duties

As regards accounts, the position of the Auditor General has always been somewhat peculiar in India considering the practices in several other countries in the world. The Audit and Accounts Order made the Auditor General responsible for the keeping of the accounts of the Dominion and of each Province other than the accounts of the Dominion relating to defence or railways and accounts relating to transactions in the United Kingdom. It also empowered the Governor General and the Governor of a Province, as the case may be, to provide by rules, after consultation with the Auditor General, for relieving the Auditor General from responsibility for the keeping of the accounts of any particular service or department. The Governor

General could also, after consultation with the Auditor General, make provision by rules relieving the Auditor General from responsibility for keeping accounts of any particular class or character. It is under this provision that the Auditor General has been relieved of the responsibility of keeping initial accounts by the Initial and Subsidiary Accounts Rules, made in 1937. The Auditor General was made responsible for preparing in each year accounts showing the annual receipts and disbursements for the purpose of the Dominion and each Province, distinguished under the respective heads thereof, and for their submission to the Dominion Government or the Government of the Province as the case may be, on dates prescribed with the concurrence of the Government concerned. These accounts are designated as the Finance Accounts.

It was also laid down as his duty to prepare annually and to submit to the Governor General a General Financial Statement incorporating a summary of the accounts of the Dominion and of all the Provinces for the last preceding year and particulars of their balances and outstanding liabilities and containing such other information as to the financial position as the Governor General may direct to be included in the Statement. This General Financial Statement is known as the Combined Finance and Revenue Accounts of the Union and the State Governments in India and is a document of considerable value to economists, politicians and administrators.

Besides the Finance Accounts, the Auditor General had also to submit annually to each Government in respect of accounts kept by him, Appropriation Accounts, that is, accounts relating expenditure brought into account during a financial year to the provisions made in the Appropriation Acts.

The Auditor General was required to comply with any general or special orders of the Governor General or, as the case may be, a Governor, as to the head of accounts under which any specified transaction or class of transactions should be included, though in his auditorial capacity, it was considered that he had every right to criticise them. Under Art. 150 of the Constitution, since the accounts of the Union and the States are to be kept in such form as the Comptroller and Auditor General may with the approval of the President, prescribe, it has been held that the Governor has no longer the power to decide in the last resort on a question of classification of the State transactions. It has further been held that the expression "form of accounts" in Art. 150 of the Constitution includes the prescription of the appropriate heads under which certain transactions or classes of transactions have to be entered. Another corollary of this Article is that neither the Public Accounts Committee nor Parliament can effect any changes in the form of accounts. It is only the Comptroller and Auditor General who can do so with the

approval of the President.

The propriety of the Indian Audit and Accounts Department maintaining accounts, even with the exceptions referred to earlier has been the subject of considerable controversy from time to time and a whole chapter has, therefore, been devoted to this subject popularly known as "Separation of Accounts from Audit" (Chapter XVIII).

The Auditor General was given authority by the Audit and Accounts Order to inspect any office of accounts under the control of the Dominion and of the Provinces, including Treasuries and such offices responsible for the keeping of initial and subsidiary accounts as submit accounts to him. The Auditor General's duties in respect of the Finance and Appropriation Accounts and Audit Reports thereon are dealt with in detail in Chapter XIII and XV. It may, however, be stated here while in the United Kingdom and the United States of America the duties and powers of the Comptroller and Auditor General are wholly statutory, the Indian Constitution has placed the obligation of making reports by the Comptroller and Auditor General on a higher footing by making it a Constitutional provision (Art. 151).

Other Duties

In addition to the duties mentioned above, certain duties relating to the certification of net proceeds of taxes divisible between the Union and the States have been made the responsibility of the Auditor General (Chapter XVI). He can also take over by consent audit duties in respect of any authority or body other than that in relation to the accounts of which specified duties have been entrusted to him by or under any law made by Parliament and on such terms and conditions as may be settled between him and the Government concerned.

One of the duties contemplated by the framers of the Constitution for the Comptroller and Auditor General, *viz.*, control over exchequer issues as in the United Kingdom has not so far been brought into effect. Chapter XIX deals with the details of this problem.

Another special feature consequent on the Indian Audit and Accounts Department maintaining, with a few exceptions, accounts other than Initial and Subsidiary Accounts is that some payments or categories of payments cannot be made or commenced without the specific authority of that Department (Chapter XVI).

THE IMPORTANCE OF AUDIT IN THE INDIAN DEMOCRACY

While the relations between Audit and Administration as also between Audit and the Legislature have been dealt with at length in Chapter XVII, the extract below from a speech of Dr. S. Radhakrishnan, then Vice-President of India, delivered on the 2nd June, 1954, describes superbly the role of the Indian Audit and Accounts Department in the governmental set-up of this Country:

"Recent reports have revealed to us serious irregularities in the working of the administrations themselves. They have referred to the great losses sustained by the government by errors of judgment, negligence, incompetence, inefficiency. It was all right during the war period when we wanted to speed up business and therefore we relaxed standards. There is no justification today for relaxing such standards. Ours is a poor country, its resources are limited and we cannot afford to risk any kind of waste and the Audit and Accounts Department will have to look upon their functions as functions of the greatest public utility by pointing out errors and by showing where and how we can remove abuses, effect economies, increase efficiency and reduce waste of expenditure. These things are very essential. There is a popular feeling that, if the Accounts people are well thought of by the States, there is something wrong about them and if they are not well thought of, they are doing their duty properly! That may be so or may not be so. I do not believe that the different departments of the State are working at cross purposes. All that I mean is that the Accounts Department must not be afraid of courting unpopularity. They must not go about always saying things which will please their superiors. There is an increasing tendency in our country today to say things which our superiors wish to hear and it is that tendency that has to be resisted. I do hope that these people who are the watch-dogs, so to say, of the public funds or the tax-payers' money will exercise great vigilance and control and see to it that we get a proper return for every rupee we spend and there is a proper utilisation of public funds.

* * *

"Building up a welfare State is not to be regarded as merely a motive for promoting one's own welfare. It is the welfare of the country which we have to set before ourselves, and there the work which the Audit and Accounts Department can do is very great. By exposing failings,

by revealing defects, you set before the country a great standard, and see to it that our Schemes are carried out with economy and efficiency.

* * *

"The Audit Department is obliged to say things which are embarrassing to the Government but it is the duty of its officers, on account of their greater loyalty to the country, to act as a check even on the Government of the country.

* * *

"If I have one advice to give, if I am presumptuous enough to give any advice to the officers of the Audit and Accounts Department, it is this: Do not shrink from truth for fear of offending men in high places."

Speaking a little later on the 21st July, 1954 on the same subject, Dr. Rajendra Prasad, the first President of India said:

"According to our Constitution the office of the Comptroller and Auditor General has an independent status and some special powers have been vested in it. Although for purposes of affiliation this office falls under the Ministry of Finance, yet like the Supreme Court and the Union Public Service Commission it is a statutoty body and as such has a status of its own. Our Constitution has guaranteed the independence of the Judiciary, with the Supreme Court at the head, for preserving and protecting the right not only of individuals against individuals but also of individuals against the State. The Judiciary has the power even to declare a law invalid when the Legislature has exceeded its powers. Similarly the office of the Comptroller and Auditor General with his wide-spread organisation all over the country has the power to see that the moneys granted by the Legislature to the Executive authorities are spent for the purposes meant and that the accounts are maintained in a proper and efficient manner. He has the power to call to account any officer, however highly placed, so far as the State moneys are concerned.

"I consider it, therefore, not only appropriate but necessary that the office of the Comptroller and Auditor General should be provided with all the necessary facilities to enable it to function in a way calculated to ensure the discharge of the duties allocated to it in the best possible manner. In a country like ours where huge amounts are allocated

to different Ministries and the various offices attached to them, it is of the highest importance that a proper check is maintained on expenditure and that the funds drawn by various Government departments are not in excess of the appropriations.

"In a democratic set-up involving allocation of hundreds of crores of rupees, the importance of this kind of scrutiny and check can never be over emphasised, particularly at the present moment when Government is incurring large expenditure on so many welfare projects. Apart from these, the Government has of late been taking up industrial undertakings in its hands which have to be worked on purely business lines. It is essential that every rupee that we spend on all these is properly accounted for. This important task—I am afraid, a task not always very pleasant, devolves upon the Comptroller and Auditor General and his Office. In accordance with the powers vested in him, he has to carry out these functions without fear or favour in the larger interests of the nation."

Whenever democracies get replaced by other forms of Government the first victim is the independence of audit. Such appreciation, therefore, in the highest places of the role of an independent audit in a young democracy as in India augurs well for the latter's stability and growth.

CHAPTER II

THE COMPTROLLER AND AUDITOR GENERAL—HISTORICAL BACKGROUND

Genesis of the Office

How the English East India Company began as a trading corporation in 1600 and ended by administering India in 1858, when the Government of India was assumed by the British Crown, is a fascinating story dealt with in the books of history. The need for having well qualified and trained officers in the Departments of Accounts had been brought to notice by the Court of Directors of the East India Company on several occasions. In 1809 and 1824 writing to the Government of Madras and in 1820 and 1823 writing to the Government of Bombay they had emphasised the importance of training a sufficient number of civil servants in the Department of Account to ensure a sufficient supply of officers thus qualified to execute the important duties of Accountant and Civil Auditor.[1] In a despatch to the Government of India in 1839 in adverting to certain delays and deficiencies in the Department of Account, they forwarded extracts from the above letters and again dwelt at length on the same subject and regretted that those instructions had not been acted upon so as to secure the object in view. In August, 1843 the Court of Directors pressed the matter with the Government of Bombay who in turn asked the Government of India for an expression of opinion. In October 1843 writing to the Government of India the Court of Directors regretted to observe that they had not yet had a reply to the despatch of 1839.[2] In November 1843 in a despatch that was completed prior to the receipt of the despatch of the Court of Directors of October 1843,[3] it was suggested by Lord Ellenborough's Government[4] that all Departments of Account at the

[1] Court of Directors' letter to the Government of Madras in the Public Department, dated the 11th January, 1809 (paragraph 122) and the 6th May, 1824 (paragraphs 8 to 13) and to the Government of Bombay in the Public Department letter, dated the 29th October, 1820 (paragraph 4) and the 4th June, 1823 (paragraphs 64 and 65).

[2] Court of Directors Despatch to the Government of India No. 18, dated the 15th August, 1839.

[3] Court of Directors Despatch to the Government of India No. 25, dated the 4th October, 1843.

[4] Government of India Despatch No. 55, dated the 22nd November, 1843 and to the Government of Bombay No. 23, dated the 30th August, 1843.

various Presidencies which functioned independently of each other should be amalgamated by forming them into one General Department of Account. The Court of Directors in London considered[5] that the object in view would not be achieved by this arrangement and objected to it on the score that as the systems of account in the Presidencies were not uniform, experience in the particular office was essential for an efficient discharge of its duties. The difficulty experienced in obtaining clear and concise statements of the finances of the Government of India and the unfavourable impression of the conditions of India's finances conveyed to the British Parliament by the Estimates of 1854-55 than was justified by the facts of the case led to a further consideration of the problem as to how to secure a succession of officers (including Treasury, Account and Audit officers, conversant with the business of accounts to the higher posts in the Government. Lord Canning's Government thought[6] that the objection raised by the Court of Directors in 1843 would to a great extent, if not entirely be obviated if the attempt that was being made to introduce the Bengal system of account at the other Presidencies succeeded which in fact it did soon. They, therefore, recommended that the offices of Account at all the Presidencies be formed into a separate Department under the Government of India, to which all nominations should be made by the Governor General in Council and in which an interchange of the officers of the several Governments should be permitted whenever occasion might require. Under such a system officers of the Department would obtain fair promotion in the Department which would operate as a great inducement to civil servants, who might be well qualified, to join and continue in the Department and it would more likely than any other ensure uniformity in the accounts and efficiency in their presentation in future. The Court of Directors[7] concurred with the Government of India in this opinion and approved of the formation of a General Department of Account, including the offices of Audit, Pay and Account, to consist of persons specially trained for the duties and qualified to be drafted to the several Presidencies as occasion may require. Orders were issued[8] in December, 1857 accordingly constituting a General Department of Account and the arrangements were to have effect from the 1st May, 1858. The largest salary, *viz.*, Rs. 3,500 per mensem was attached to the appointment of Accountant General to the Government of India, because it was considered by far the most important of the whole. The business in

[5] Court of Directors Financial Department No. 22, dated the 21st August, 1844.

[6] Despatch from the Government of India, Financial Department to the Court of Directors No. 173 of 1856, dated the 12th December, 1856.

[7] Court of Directors Despatch No. 62 of 1857, dated the 2nd September, 1857.

[8] Government of India, Financial Consultation No. 5126, dated the 4th December, 1857.

it was heavier and more complex than in any other. The Accountant General had the supervision of loan transactions. He had a large number of Treasuries and a greater mass of Military Accounts than the other Accountants General of Bombay and Madras. He was a member of the Calcutta Mint Committee and a Director of the Bank of Bengal. The Department included a Civil Auditor under each local Government.

The grave financial deficiency produced by the events connected with the Mutiny of 1857 led to several vigorous financial reforms. The most important step in this direction was the decision[9] to adopt partially from 1860-61 and wholly from 1861-62 a system of annual budget of Imperial Income and Expenditure for sanction by the Supreme Government of India before the year commenced. The system promoted the formation of Imperial Accounts and laid the "foundation stone for a real and true method of Imperial Audit".

In May 1860 a Committee[10] was appointed to consider how the details of the several measures involved in the new system of Estimate, Budget, Accounts and Audit might be practically carried out and how the principles prevailing in England might be adapted to the existing circumstances of Departments in India. Among the matters for consideration by the Committee were, the manner in which specific sums sanctioned in the Budget should be placed at the credit of the various spending Departments; the mode in which such expenditure should be accounted for to the local Accountants, the mode in which the local Accountants should account to the Audit Department in Calcutta; the manner in which the audit should be constituted and the detailed rules by which it should be guided in the execution of its functions. The Committee's attention was specially to be given to all Civil Departments, to the Postal, Telegraph and Marine Departments, etc., and it should observe whatever resolution might be passed relative to the Military Department on the recommendations of the Military Finance Commission who was to submit its report on the Military side. The Committee submitted several reports, the first of which, submitted on the 30th July, 1860, compared exhaustively the English system of financial control with that existing in India and made alternative recommendations.

The Government[11] favoured the system under which disbursements

[9] Government of India, Finance Department Resolution No. 27, dated the 7th April, 1860.

[10] Government of India, Financial Department Resolution No. 39, dated the 11th May, 1860. The Committee consisted of Mr. C. H. Lushington, Hon'ble. E. Drummond and Mr. R. Temple.

[11] Government of India Resolution No. 7371, dated the 18th August, 1860.

and accounts would be under two distinct classes of officers, the Civil Auditors becoming Paymasters to their respective local Governments and subordinate to the Financial Department of the Supreme Government. The Accountant General to the Government of India was designated Auditor General of India.[12] The local Accountants were placed under him for the preliminary detailed audit of the local accounts. The final Appropriation Audit was to be conducted by the Accountant General to the Government of India in his capacity as Auditor General.

When the Department was further re-organised,[13] in 1862, the Financial Secretary became the head of the Financial Department, which included the Departments of Accounts and Audit. The Auditor and Accountant General to the Government of India became the head of those Departments, "charged with the duty of bringing the accounts of the Indian Empire together and responsible to the Government of India for the correct performance of the mechanical duties of Accounts and Audit as distinguished from administrative matters coming within the province of the Finance Secretary".

Broadly to this post may be traced the genesis of the present post of the Comptroller and Auditor General of India, though it had yet a long time to grow to attain its present responsibilities, independence and constitutional status and underwent several changes in its designation from time to time in that process.

The names of the Auditors General since 1860 are given in Appendix I.

Board of Audit

The arrangements made in 1860 in pursuance of the general principle to assimilate the Indian system of financial control to the British excepting parts of the English practice which were obviously inapplicable to India, where the Executive Government was supreme, provided for the setting up of an Audit Board. At that time there was an Audit Board in the United Kingdom consisting of five Commissioners independent of the Executive Government and responsible to Parliament. They held their office on the same tenure as the Judges. The Treasury could not issue to them directions as to the mode in which an account should be audited. Much constitutional importance was attached to this freedom of judgment. The Commissioners annually prepared and laid before the House of Commons a report,

[12] Government of India, Financial Department Resolution No. 119, dated the 16th November, 1860.

[13] Government of India, Financial Department Resolution No. 82, dated the 13th May, 1862.

accompanied by a statement of every account audited by them during the year to which the report related together with a list of all accounts remaining unaudited and in such report the Commissioners called attention to any case in which the directions of Parliament, with reference to any of the account included in the statement, had not, in their opinion, been complied with. The audit conducted by the Board was of two kinds. First, the Appropriation Audit, for the purpose of trying whether the expenditure under each head of service was within the limit prescribed by the Appropriation Act of Parliament; second, the detailed Audit, to try whether all the accounts, both debit and credit, were technically and actually correct and whether each payment had been properly authorised and vouched.

The Audit Board was abolished by the Exchequer and Audit Department Act, 1866 and replaced by the Comptroller General of the Receipt and Issue of Her Majesty's Exchequer and Auditor General of Public Accounts, referred to as the Comptroller and Auditor General.

The Audit Board in India as constituted in 1860 consisted of two members, of whom the first was the Auditor General of India, hitherto the Accountant General to the Government of India, and the second the Chief of the Military Finance Department under whom there was a Controller of Military Finance at each Presidency and Examiners of Military Accounts. These two members of the Audit Board retained entire freedom of action in matters especially relating to their respective departments but acted in union in regard to all questions of general organisation, policy and economy, as affecting Estimates, Budget, Audit and Accounts and determined together any important questions that arose in connection with the final Appropriation Audit, and other arrangements of a general nature. They could directly communicate with Government in their respective departments. Where, however, the matter referred to involved questions which were beyond the powers of either to dispose of—such as when both Civil and Military Departments were involved or where the orders of any local Government were in question or when the sanctioned limits of the Budget Estimates were exceeded or the matter was novel and of magnitude, the members were expected to consult each other and act in a collective capacity and if the occasion called for further reference, to take the decision of the Government of India. The First Assistant to the Auditor General of India was the Secretary to the Board of Audit, in which capacity he prepared papers for consideration on questions referred to the Board for decision and gave effect to the orders of the Board. He was also required to watch working of the new system of Audit and Account and to secure uniformity in the accounts of all Governments and Departments.

The Audit Board did not, however, last for long. The Military Finance Commission was appointed in June 1859 due to the urgent necessity for reducing excessive Military expenditure. The "Commission" ripened into a "Department", which diverged more and more from the Military Secretary's office and its chief became a member of the Audit Board. In 1864 the question of placing the Military Finance Department in proper relation to the Military Department was considered by the Government of India, as directed by the Secretary of State. The Secretary of State[14] thought that the Military Finance Department having completed the work of effecting reductions in Military expenditure which were called for after the Mutiny and re-organising the several Military Departments, there was no sufficient ground for its being retained any longer. He had also difficulty in believing that it was wise to maintain permanently for any one Department of the Government, a separate and independent system of financial audit and control. He, therefore, requested the Government of India to adopt measures with a view to the eventual abolition of the Military Finance Department.

The Government of India thereupon decided[15] to abolish the Military Finance Department and to assign the accounts duties to an Accounts Branch formed in the Military Department. The officer in charge of the head office of the system of Army Accounts should be designated "Accountant General" to the Military Department. In the discharge of his duties he should act in subordination to the Military Department. His relation to it should be similar to that of the Accountant General to the War Office in the United Kingdom. The Commissoriat, Ordnance, and Pay Examiners acting under the Controllers of the three Presidencies were independent Auditors and to have second audit over them was mere surplusage and waste of time and money. The actual expenditure compared with the Budget heads could be seen from the accounts furnished to the Financial Department and it was the duty of that Department to take cognisance of every excess and to deal with it, allowing or disallowing and making any comments which the case may require. The peculiar state of things which gave occasion to Appropriation Audit in the United Kingdom did not exist in India. In this view it was considered that it was not necesssary to supply the place of the Chief of the Military Finance Department on the Board of Audit.

The Accountant General to the Military Department was, therefore, not associated with the Auditor and Accountant General to the Government of India as a member of the Board of Audit and although, in common with

[14] Secretary of State, Financial Despatch No. 1, dated the 8th January, 1864.

[15] Government of India, Financial Department Resolution No. 1031, dated the 25th February, 1864.

the other Account officers of the Government he was to render all the assistance in his power to the Financial Department, his ordinary official relations were to be entirely with the Military Department. The second post of member thus was in abeyance and the Board of Audit was reduced to one member. Since the duty of the Board consisted in settling points relating to accounts which were sent to it for decision as a Board of Appeal, the reduction in its membership meant that the Auditor General appealed from himself as Auditor General to himself as Member of the Board. This position was anomalous and in October 1865[16] in pursuance of one of the recommendations in the Report of the Commissioners of Inquiry into Indian Accounts, dated the 7th September, 1864, the Audit Board was abolished and the decision of the Auditor General from thereon was to be treated as sufficient and final.

Changes in Designation

Comptroller General of Accounts

Reference has been made in the preceding paragraph to the Report of the Commissioners of Inquiry into Indian Accounts dated the 7th September, 1864. The Commissioners were Messrs N.H. Foster, Assistant Pay Master and H.W.S. Whiffin, Assistant Accountant General in the War Department. Their report consisting of 461 paragraphs dealt with the constitution and the mode of conducting the business of the Financial Department and of the offices of Account attached to that Department. It laid the basis for the present system of annual budgets and of accounting. Among their recommendations were the abolition of pre-audit, the separation of cash accounts from store accounts in the Civil and Military Departments, and of the accounts of the Military and Public Works Departments from those of the Civil Department and the submission of monthly accounts of audited receipts and charges by the several offices of Account in the Civil, Military and Public Works Department and their consolidation monthly in a Central Office of Account for showing of the revenues and charges of India, as well as of each Presidency and Province. At the close of the year the annual Finance and Revenue Accounts, for submission to Parliament, were to be prepared from the Imperial Books in the Central Account Office. Under the old system of accounts, it was deemed inexpedient to obtain from the Account offices other than annual accounts of the actual receipts and charges

[16] Government of India, Financial Department Resolution No. 2778, dated the 6th October, 1865.

of the several Presidencies and Provinces. The monthly and quarterly statements of receipts and expenditure fulfilled but imperfectly the purpose of an account of actual receipts and charges as they contained numerous entries requiring subsequent adjustment so that the Financial Department possessed no means of keeping itself acquainted with the progress of the current income and expenditure.

The Commissioners pointed out that the new system of a monthly in place of annual consolidation of Accounts would necessitate a complete revision of the present establishments and considered it very desirable that the title of "Auditor and Accountant General to the Government of India" should be altered to "Controller General". A further memorandum was submitted by Mr. Foster to Government in August 1865 on the measures to be adopted for establishing a Central Office of Account. The Government of India approved of the necessary measures to adapt the Central Office of Account already under the Auditor General of India to the requirements of the new system of Accounts. The new system was introduced with the accounts for 1865-66.[17] In the same resolution in which the Audit Board was abolished the designation of the Auditor General of India and Accountant General to the Government of India was changed to "Comptroller General of Accounts".

The Comptroller General was authorised to deal on his own with all ordinary questions relating to Indian Accounts such as the classification of receipts and payments, the processes of recording them, the mode of closing subsidiary heads of accounts and the like, his decisions on these points, when they established a general rule, being simply communicated to the Financial Department. But questions affecting any two of the three Departments, Civil, Military or Public Works, or affecting the degree of control by the supreme and local Governments respectively, of particular item of receipt or payment, had to be referred to the Government of India in the Financial Department, for settlement, in communication, if necessary with the Secretariats of the Departments concerned. No relaxation of the fundamental principles of the new system could be made without reference to Government. These were the separation of cash from store accounts, except in the Public Works Department—the prohibition of inter-departmental adjustments, save in a few authorised exceptional cases—the restriction of treasury accounts, as far as practicable to mere elementary facts. The Comptroller General was responsible for consolidating the Budget and Regular Estimates but they were reviewed by the Financial Department.

[17] Government of India, Financial Department Resolution No. 2189, dated the 20th April, 1865.

He was given charge of the following duties, *viz.*, (*a*) The management of the Public Debt, until the transfer of the duty to the Bank of Bengal; (*b*) The accounts of the Treasuries which were under officers, who were immediately under the Government of India; and (*c*) The Central Office of Account.

In 1870, the management of Paper currency was transferred from the officers of the Mint Department to whom it has formerly been entrusted, to the Comptroller General of Accounts who was concurrently designated "Head Commissioner of the Department of Issue of the Government Paper Currency". These duties remained with him for over forty years when a separate head of the currency Department known as the Controller of Currency came into being.

In 1881, the Government of India declared that the offices and accounts of the Controllers of Military Accounts, of the Examiners of Public Works Accounts and of the Comptroller to the Post Office would be opened to the inspection of the Comptroller General and his inspecting officers.[18]

Comptroller and Auditor General

In 1880, the Secretary of State for India appointed a committee to inquire into the system of Military Accounts and Estimates in India. That Committee raised the question of the expediency of an independent Appropriation Audit to supplement the existing departmental audit. This question was rather connected with the general system of accounts and audit in India than with that of the Military Accounts but as the matter had come to the notice of the committee, they submitted recommendations to the Secretary of State. They were unanimous in recommending that the detailed audit with vouchers, which was effected by the local Accountants General, and the results which were monthly reported to the Comptroller General should be supplemented by an Appropriation Audit, which would be embodied in a comparison and report for the year, analogous to that made by the Auditor General in the United Kingdom. The members of the Committee differed, however, as to the officer by whom the Appropriation Report should be prepared, one half of the Committee considered that the proper officer was the Comptroller General, who would review the reports of his subordinate officers, without incurring the expense that would ensue from the creation of another appointment, the other half of the Committee held that the Comptroller General, if entrusted with this duty, or, as they proposed to term him, the Auditor General of India, should be divested of all executive functions

[18] Government of India, Financial Department Resolution No. 1900, dated the 22nd July, 1881.

and be subordinate to the Governor General alone.

The Secretary of State thereupon[19] directed that the Comptroller General be requested to prepare annually a report comparing the accounts of the last year with the Budget of that year and with the accounts of the preceding year, with explanations of any important variations. He also requested for an expression of views of the Government of India regarding the expediency of delegating the duty of Appropriation Audit to the Comptroller General or to an officer free from all administrative functions.

The Government of India made proposals[20] for the appointment of a separate Auditor General for India distinct from the Comptroller General, and with no executive or administrative functions whatsoever and with power to either by himself or by deputy to examine in detail or in whole, or a portion, of the accounts of any department. He should be irremovable save with the sanction of the Secretary of State in Council and his pay, after 20 years' service, be made equal to that of a Secretary to Government. An Act should be passed through the Legislative Council, in order to give the authority of Law to his increased positions and powers. The Secretary of State,[21] however, was of the opinion that the Comptroller General was the proper officer to conduct the Appropriation Audit. The Comptroller General's position in the service was so high as to render him a thoroughly independent officer, who could be expected to do his duty conscientiously and fearlessly. It was not necessary that he should be completely independent of Government. In India the allotment of supplies was made by the Governor General in Council whereas in the United Kingdom it was annually voted by Parliament, which exercised a jealous control over the Executive Government in the disposal of those supplies and required that an officer independent of the Executive Government, should report to it whether the Law had been observed in all cases and the moneys disbursed according to the intention of the House of Commons. In India Appropriation Audit was primarily for the satisfaction of the Governor General in Council and the report was made to him and for his information. He agreed with the importance of test-audit and any moderate addition to the staff for that purpose. He considered that the pay assigned to the Comptroller General sufficient even with the duties of Auditor General attached to his office. He saw no need for special legislation. He agreed that some relief from executive duties was necessary.

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[19] Secretary of States Despatch No. 46, dated the 27th January, 1881.

[20] Government of India, Financial Department Despatch No. 249, dated the 1st October, 1881.

[21] Secretary of States Despatch No. 103, dated the 23rd March, 1882.

The following arrangements thereupon were, with the. Secretary of States' sanction, decided[22] upon :

(1) The Appropriation Audit should be made by the Comptroller General, who, in order to give due prominence to his special duties of audit, should be designated Comptroller and Auditor General.

(2) The Comptroller General should be relieved of the executive work which he performed in his capacity of Accountant General in respect of the Treasuries classed under "India".

(3) The Comptroller General should be authorised to undertake a test-audit in any of the offices of Account and Audit under the Government of India, whenever he deemed it desirable to do so.

(4) An addition should be made to the staff of the Comptroller General to enable him to carry out the above duties.

(5) The various Accountants General (including those of the Military and Public Works Departments) or heads of Departments of audit and account should be required to submit annually an Appropriation Audit report to the Auditor General, who would compile his report from the materials supplied to him and forward it to the Government of India.

In pursuance of these arrangements, the Governor General in Council formally appointed the Comptroller General to be Comptroller and Auditor General, and directed that each Accountant General, including in the term the Military and Public Works Accountants General, and each head of a separate Audit Department, should prepare and forward to the Comptroller and Auditor General each year an Appropriation Audit report of the Province or Department of which he compiled the accounts.

It was further ordered that the Comptroller and Auditor General, in person or by his Deputies, was not merely entitled to inspect the offices and accounts of the Controllers of Military Accounts (including their Examiners, of the Examiners of Public Works Accounts (including Telegraphs) and of the Comptroller of the Post Office but also to make a test-audit of so much of the accounts of any office as he may consider necessary; and the auditing or inspecting officer was entitled to enter any branch of the office, to call for any documents, and to ask for any information he may require for the purposes of his audit or inspection, and it would be the duty of the heads of all departments to supply such information, and to afford every reasonable facility for making a test-audit.

The following duties were being performed by the Comptroller General

[22] Despatch from the Secretary of State No. 401, dated the 21st December, 1882 and Government of India, Finance Department Resolution No. 792, dated the 6th May, 1884.

in his capacity as Accountant General to the Government of India:

(1) The direction of the payments at, and the audit and compilation of the accounts rendered by, 16 Treasuries under the administration of the Government of India, including Ajmer and Coorg as well as Bhopal, Gwalior, Indore, Port Blair and other Political Treasuries.

(2) The examination and audit of the daily account rendered by the Bank of Bengal of the cash transactions of the Government of India with the Bank at Calcutta, including all the remittance transactions of the Government.

(3) The compilation of the accounts of all expenditure at Headquarters, Calcutta and Simla, on account of officers and establishments serving directly under the Government of India, including the Civil Administrative Department of the Supreme Government.

(4) The supply of funds to, and the compilation of the accounts, of, the following Departments, which deal directly with Treasuries in all the provinces in India:

The North India Salt Department.

The Survey of India.

The Geological and Archaeological Surveys.

The Meteorological Department, Horse Breeding Department, Thuggie and Dacoity Department; and some others.

(5) The compilation of the accounts of interest on the Public Debt.

These duties were removed from him and assigned to a separate officer who was designated Comptroller, India Treasuries. From this time onwards, the work of the Comptroller and Auditor tended to become more and more one of supervision of Audit officers and compilation, review, and examination of figures and statements on behalf of Government and test-audit through Deputies of all offices of Accounts (Civil and Departmental).

The following duties remained with the Comptroller and Auditor General, in addition to his general duty of supervising and directing the work of the Civil Accountants General and Comptrollers :

(1) Compilation of the Central Accounts, both monthly and yearly.

(2) Compilation of estimates and comparison of current facts therewith.

(3) Appropriation Audit.

(4) Audit and inspection of all offices of Account.

(5) Management of the Paper Currency Department.

(6) Control of personnel of Civil Department of Account.

(7) Resource, that is, the providing of money both by increasing the balances as a whole, and by transferring them to the points whence they are required.

(8) Management of the Public Debt, now including Stock Notes.
(9) Accounts of the District Savings Banks.
(10) Adjustment of accounts of Guaranteed Railways.
(11) Account with London and with the Colonies.
(12) Management of Reserved Treasuries and of the Bank balances.
(13) Central accounts and custody of securities held in trust by Government officers.
(14) General direction of coinage and mint operations.
(15) Verification of deposit, advance, and other debt balances.
(16) Collection of mutual accounts of accounting officers.
(17) Audit of such accounts as Administrator General's and other Law Officers' and Emigration Agencies of Colonies.
(18) The Accounts of the Forest Department.
(19) Examination of accounts of Service Funds.

Auditor General in India

In 1912 Lord Hardinge's Government made[23] proposals to the Secretary of State which in anticipation of a complete re-organisation of the Indian Audit system, provided for: (1) full time and efficient head of the audit and accounts department by taking away from him divergent duties relating to currency coinage, control of ways and means including public loans, custody of securities and disposal of public debt questions, association with the Financial Secretary in the work of estimates, etc., submission to the Finance Department of opinions on questions of exchange money market, purchase of silver, gold and silver reserve, etc., and preparation of financial statistics, Resource Estimates and other monthly returns. These were to be transferred to the Finance Department and to assist it in the extra work there was to be a separate head of the Currency Department, known as Controller of Currency; (2) improving the character of the Appropriation Report by dealing in a much more direct manner with audit objections of all kinds which seem to the Comptroller and Auditor General to be of sufficient importance to be brought to the notice of superior authority. The Report should be addressed to the Secretary of State, being forwarded through the Government of India for the record of any observations which they may desire to make ; and (3) increasing substantially the status of the Auditor General and his salary.

In this connection the Government of India considered the question

[23] Government of India, Finance Department Despatch to the Secretary of State No. 186 of 1912, dated the 11th July, 1912.

whether the new chief audit officer under the proposals might be called simply the Auditor General. It is true, they said, that there was not in India the same historical justification or meaning in the term "Comptroller General" which existed in England. On the other hand it was not the case as might be supposed that in India the double title referred to the combination in the same appointment of executive, financial and audit functions. There was no special reason, therefore, for making a change and on the whole the Government of India preferred that the chief audit officer should continue to be known as Comptroller and Auditor General. The title thus continued till the Montford Reforms of 1919.

The First World War ended an era. The Great War was fought to preserve democracy and freedom. On the 20th August, 1917, Montagu, who had become Secretary of State in July, made his famous announcement in the House of Commons that the British Government would increasingly associate Indians in every branch of administration and gradually develop self governing institutions with a view to the progressive realisation by successive stages of responsible Government in India as an integral part of the British Empire, the time and measure of each advance to be judged by the British Government and the Government of India and depending upon the co-operation received from Indians and by the sense of responsibility exhibited by them.

The Government of India Act, 1919 introduced dyarchy in the Provinces with "transferred" subjects under popularly elected Ministers and "reserved" subjects under Members of Council nominated by the Crown. The Act is a landmark in the history of the Audit Department as the Auditor General came to be statutorily recognised and his independence and status increased several-folds. This is dealt with in the next section under a distinctive heading. His title was changed to "Auditor General in India". The Auditor General was made, subject to any general or special orders of the Secretary of State in Council, the final audit authority "in India" and responsible for the efficiency of audit of expenditure in India from the revenues of India. Expenditure of the Government of India incurred in the United Kingdom was since 1858 accounted for by the Accountant General in the India Office. An Auditor appointed by the Crown was responsible for the audit of all accounts in the United Kingdom pertaining to the Government of India. The Auditor (subsequently known as Auditor of Indian Home Accounts) submitted his Audit Report to Parliament and was completely independent of the Indian Auditor General. Under the Reforms of 1919, the office of the High Commissioner for India in London was created to perform the agency functions, the India Office confining itself to administrative

supervision and control over the Government of India. The expression "Auditor General in India" was intended to bring out the fact that the scope of his duties did not extend to expenditure of the Government of India in the United Kingdom.

Auditor General of India

The Government of India Act, 1935 provided for an all-India Federation in two stages. Autonomous provinces including two new provinces of Sind and Orissa were to be set up first. The Federation of India was to follow consisting of the provinces and such of the Indian states as agreed to join the Federation. The constitutional changes contemplated in the Act reduced the authority of the Secretary of State whose Council was to be abolished and who was to have only a body of advisers. The Auditor of Indian Home Accounts was to be appointed by the Governor General, and was to be subject to the general superintendence of the Auditor General of India to whom his audit reports were to be submitted for incorporation in the Provincial or Central Audit Reports as the case may be. The title of the Auditor General in India in the 1919 Act thus came to be changed in the 1935 Act to "Auditor General of India", signifying the fact that general superintendence of the Auditor of Indian Home Accounts was now vested in him (Section 170). With the attainment of Independence the Auditor of Indian Home Accounts who was redesignated "Auditor of Indian Accounts in the United Kingdom", ceased to be a statutory authority and came under the administrative control of the Auditor General of India. The post has since been redesignated Director of Audit, Indian Accounts in U.K.

The Government of India Act, 1935, which was the result of a decentralising trend in administration, provided for Provincial Auditors General (Section 167). Like the Federation envisaged at the Centre which never came into existence, these provisions were never acted upon. However, it may be of interest to indicate here those provisions. Two years after the commencement of the Act, a Provincial Legislature could pass an Act charging the salary of the Auditor General for that province to the revenues of that province to perform the same duties and exercise the same powers in relation to the audit of the accounts of the province as would be performed and exercised by the Auditor General of India, if an Auditor General of the province had not been appointed. No appointment of Auditor General of a province could be made until the expiration of at least three years from the date of the Act of the Provincial Legislature by which provision was made for an Auditor General for that province. The Auditor General of India would

have powers to give, with the approval of the Governor General, directions in respect of the accounts of the province, with regard to the methods or principles in accordance with which any accounts of the province ought to be kept (Section 167 and 168). These all meant that no provincial Auditor General could be appointed before five years after the commencement of the 1935 Act. This period would help conditions to settle down. Since Central transactions were also dealt with in Provincial Treasuries and by Accountants General in States, it would also give reasonable notice to the Federal Government to make arrangements for the accounting and audit of its own receipts and payments originating in the Provinces. The Government of India had always attached importance to uniformity in the system of Accounts throughout India.

After the passing of the Government of India Act, 1935, Burma ceased to be a province of India from the 1st April, 1937. It got its own distinctive constitution (Government of Burma Act, 1935) and had its own Auditor General.

With the Indian Independence Act, 1947, when the British Parliament legislated for the last time on India, two new Dominions of India and Pakistan came into existence on the 15th August, 1947 and the jurisdiction the Auditor General of India got confined correspondingly, Pakistan having its own Auditor General.

Comptroller and Auditor General of India

The Constitution of 1950 has restored the old double title of Comptroller and Auditor General that was in vogue prior to the coming into force of the Government of India Act, 1919 while retaining the expression "of India" introduced in the Government of India Act, 1935.

The first draft of the Constitution followed the model of the 1935 Act, Arts. 106 to 109 providing for the Central Auditor General and Arts. 174 and 175 for the provincial Auditors General. The whole section was radically changed after the Constituent Assembly's expert committee had examined the draft articles on financial provisions, and provision of separate Auditor General for States was omitted.

On the 30th May, 1949, an amendment[24] was moved by Shri T.T. Krishnamachari (Madras: General) who wanted the nomenclature "Auditor General" changed to "Comptroller and Auditor General". He said that the function which the draft constitution imposed on the Auditor General was not merely audit but also control over the expenses of Government. Undoubtedly the

[24] Constituent Assembly Debates 1949, Vol. I, p. 403.

term "Auditor General" had all along been used in the 1935 Act to include both those functions. He added "But it is quite possible that we might empower Parliament to enlarge the scope of the work of the Auditor General", and it was thought fit that the nomenclature of the Auditor General should be such as to cover all the duties that devolve on him by virtue of the powers conferred on him by the draft constitution. The amendment was adopted. Obviously he had in mind when speaking of the enlarged scope of the work of the Auditor General, the control in India over exchequer issues as in the United Kingdom. This is dealt with at length in Chapter XIX.

Other changes brought about the 1950 affecting the independence and status as well as functions of the Auditor General are dealt with under appropriate headings.

The effect on the Indian Audit and Accounts Department of the integration of States which started with the accession of States and was completed after the implementation of the Report of the States Re-organisation Commission which did away with the Part B States that were mentioned in the First Schedule of the Constitution, is dealt with in Chapter III.

Independence and Status

The Government of India Act, 1919 gave statutory recognition to the Auditor General in India by Section 96 (D)(1) which ran as follows :

> "96-D (1) An Auditor General in India shall be appointed by the Secretary of State in Council, and shall hold office during His Majesty's pleasure. The Secretary of State in Council shall, by rules, make provision for his pay, powers, duties, and conditions of employment, or for the discharge of his duties in the case of a temporary vacancy or absence from duty."

The scheme of financial power granted to various authorities in or under the Act was dominated very largely by the firm belief of those who drafted the scheme of reforms, in the independence and probity of the Audit Department.

The question of making audit independent of the Executive in the same manner as in the United Kingdom, however, came up several times even before the Montford Reforms of 1919. Soon after the Mutiny and the assumption of the Government of India by Her Majesty's Government from the 1st November, 1858, among the various financial reforms decided upon in 1860 to make for better financial control and ensuring care and regularity in the public expenditure as well as severe economy, was the introduction of a system whereby a "Budget of Imperial Income and Expenditure" would be

prepared annually for consideration and sanction by the Supreme Government of India, before the year commenced. The Budget system promoted the formation of Imperial Accounts and laid the foundation of "a real and true method of Imperial Audit.[25] There was to be "an Independent Audit Department, examining the accounts month by month, quarter by quarter, year by year, to truly try and judicially declare whether the financial orders of the supreme finance authority are regularly carried out by the responsible Executive authority". It would "periodically pass the accounts based on the budget and at the close of the year...examine and declare to the Supreme Government how far the provisions of the Budget have been observed by the Executive Government and the Department." An Audit Board on the model of that in the United Kingdom was established but was abolished in 1865. This has been dealt with earlier in connection with the change in the designation of the Accountant General to the Government of India. The Auditor General was in fact subordinate to the Financial Department. This position continued till 1914, before which the question of the independence of the Auditor General came up thrice for consideration.

In 1881, the Government of India addressed the Secretary of State for the Establishment in India of an independent Appropriation Audit[26] to supplement the existing departmental audit. They considered that the whole of the accounts of the State should, so far as possible, undergo examination by some officer more or less independent of the Executive Government, and the present Indian system did not adequately provide for such an examination and they proposed an Auditor General distinct from the Comptroller General and that the former should be irremovable, save with the sanction of the Secretary of State. The Secretary of State did not accept the proposal to have another officer for appropriation audit and eventually as stated earlier the Comptroller General was entrusted with the duties of Appropriation Audit, relieved of work he was performing in his capacity of Accountant General in respect of "India Treasuries", and formally appointed Comptroller and Auditor General.[27] The view that prevailed was that Report on Appropriation Audit was to be made to and for the information of the Governor General in Council and there was no object to be gained by the appointment of an officer who would be wholly independent of the Government of India.

[25] Government of India, Financial Department Resolution No. 27 Finl., dated the 7th April, 1860.

[26] Government of India, Financial Department letter No. 249, dated the Ist October, 1881.

[27] Government of India, Financial Department Resolution No. 792, dated the 6th May, 1884.

The question was raised[28] again in 1888 but this time by the Secretary of State himself who enquired whether a system of the nature as in the United Kingdom of an independent Auditor could be introduced in India with advantage. He pointed out that in the United Kingdom the independent Auditor, far from encroaching upon or hampering the action of the Chancellor of the Exchequer, had become his most valuable ally. Through the Auditor, the Chancellor learned that his own regulations were observed and by the aid of the Auditor alone he was able to enforce the financial order for which he was responsible to Parliament. He also desired that an additional duty should be imposed on the Auditors in India of seeing that all expenditure which required the separate and special sanction of the Secretary of State in Council had been so sanctioned. It should also be required as part of the duty of the Auditor, to see, that the rules prohibiting expenditure without, or in excess of, properly sanctioned estimates were duly observed and to call attention in their reports to all cases in which they were broken. It should further be established as a rule that all cases of irregular expenditure should be reported, from time to time, in a suitable form for the information of the Secretary of State in Council.

The Government of India had no difficulty in dealing with or issuing orders on all the issues raised by the Secretry of State except the one whether audit in India lacked that independence which added greatly to the usefulness of the system of audit carried on in Great Britain on behalf of the House of Commons by the Auditor General. Their observations[29] on this point which were very significant are quoted below :

> "It may be convenient at this stage that we should endeavour to determine the significance which properly attaches to the word "independence" in this connection. Independence in the Department of Audit is, no doubt, to be found in the completest shape wherever the auditing authority is entirely external, not only to the spending department, but to every authority other than that which passes the estimates, and is the ultimate source of sanction to expenditure. Thus the complete "independence" of the English Auditor General, who is absolutely dissociated from the whole of the spending departments, and who is responsible, not to the Government of the day, but to the House of Commons, cannot be questioned. In India the Governor General in Council in the Finance Department takes the place of the House of Commons in respect

[28] Secretary of States Despatch No. 247 Financial, dated the 27th September, 1888.

[29] Government of India Despatch to the Secretary of State No. 229, dated the 3rd August, 1889.

of the allotment of supplies, and we submit, therefore, that portion of the Indian Audit Establishment which is directly responsible to our Finance Department is in a position of independence analogous to that of the English Auditor General. *There are, however, many degrees of independence—not perhaps so complete as that which we have just described, but sufficiently so*—to render most unlikely any connivance by the Auditing Department at irregularities on the part of the Department in which expenditure is incurred. It is, we apprehend, with the object of avoiding such connivance, of placing the persons upon whom is thrown the responsibility of checking the expenditure of others in a position relieving them of all obligation to these, and of enabling them to discharge, without fear of consequences on the one hand, or expectations of advantage on the other, the difficult and important task entrusted to them, that the superiority of an entirely independent audit has been so urgently insisted upon.

"12. We conceive that the system of audit now in force in India secures, if not with absolute completeness, at all events in a sufficient degree, this element of independence and externality. It is true that the original audit officers of the Post Office, the Military Department, and the Public Works Department are entertained departmentally. But these audit officers are organised in separate departments quite distinct from the spending departments and are subordinate only to the Director General of the Post Office and the Government of India in the Military and Public Works Departments respectively. Moreover, the appropriation and test-audits of the expenditure of those departments are conducted by the Comptroller and Auditor General, who is in no way subordinate to the executive departments. The Audit officers of the Civil Department, who conduct the audit of the general expenditure—that is, of all expenditure which is not incurred in the special departments named above—are absolutely independent of all the various departments whose expenditure they audit, and owe allegiance only to the Finance Department of the Government of India. They are, therefore, in the essential point in which independence in an Auditor, that is to say, independence of the executive disbursing authorities—is required, as independent as the Auditor General in England. It should also be borne in mind that, in addition to the appropriation and test-audits for which he is responsible, the Comptroller General exercises a general supervision over the whole of the departmental auditors, and if any irregularity comes under his notice, he reports it to the Finance Department of the Government of India."

The new duties imposed on the Auditor General to watch in audit that expenditure requiring Secretary of State's sanction had received such sanction meant a rise in his position *vis-a-vis* the Government of India. In 1914[30] he was given powers to pass in audit at his discretion expenditure already incurred which would normally require the sanction of the Secretary of State in Council but where in his opinion the failure to obtain such sanction involved a breach of the letter rather than of the spirit of the rules. This power was extended in 1918[31] to similar cases where there had actually been no outlay.

In 1900, the Royal Commission on the Administration of Expenditure in India again dealt with the question of the independence of audit. Only three members favoured it. In a dissenting minute Lord Welby and two others wrote, "Until the Indian Comptroller and Auditor General is made entirely independent of the Indian executive government, the audit system of India is and will be gravely defective....Some of us think that the Comptroller and Auditor General of India should, as far as circumstances permit, hold his office on terms similar to those which Parliament has enacted for the Comptroller and Auditor General of the U.K., that he should be appointed by the Secretary of State in Council, that his tenure should be similar to the judges of the Indian courts".

The other members of the Commission, however, did not agree and thought that the evidence did not justify the proposed change which would increase expenditure and secure no compensating advantage. The Secretary of State, influenced by the cost factor, did not pursue the proposal.

In 1912 as part of the question of improving audit and financial control in the country the Government of India made proposals[32] to the Secretary of State for providing a full time and highly efficient head of the audit and accounts department. His duties were to be divided and those relating to Finance and Treasury functions of an executive nature were to be taken away from him. His status was to be enhanced in full proportion to the importance of his functions. "Audit must be restored to its proper position, a new spirit must be infused into the department; it must be brought more in touch with realities; it must abandon unnecessary details; and at the same time develop the range of its activities and strengthen its position in various directions in which its work, while of very much greater importance, has been seriously neglected."

It was also proposed that in future the Appropriation Report should

[30] Secretary of States Despatch No. 60 Financial, dated the 15th May, 1914.

[31] Secretary of States Despatch No. 49 Financial.

[32] Government of India Despatch to the Secretary of State No. 186, dated the 11th July, 1912.

deal in a much more direct manner with audit objections of all kinds which seemed to the Auditor General to be of sufficient importance to be brought to the notice of superior authority. The Report should be addressed to the Secretary of State, being forwarded through the Government of India for the record of their observations, if any. The broadest and most general ground of the proposals was the high importance of improving and strengthening audit in India and the first and essential step was to confer on the head of the department, from whom the department cannot fail to take its general tone, a status commensurate with the important and difficult duties he woud have to perform, which in the circumstances in India where more onerous with both accounting and audit responsibilities and where the position of the Finance Department was not so strong as the Treasury in Great Britain and public opinion was weaker. It was proposed that the Comptroller and Auditor General should be subordinate only to the Governor General and have the right of direct access to him. He should be recognised as one of the highest officials of the country.

The field of recruitment was to continue as before, appointments being generally restricted to members of the Indian Civil Service employed in the accounts department; but it might be given to non-civilian officers of that department with the approval of the Secretary of State or occasionally to an I.C.S. officer outside it.

The Secretary of State[33] doubted the advisability of making the Comptroller and Auditor General subordinate to the Governor General. He thought that the Comptroller and Auditor General should be appointed and removable only by him, to have an independent status.

The Government of India[34] was against any change that would make the Comptroller and Auditor General independent of the Government of India and considered that the analogy of the Comptroller and Auditor General in the United Kingdom was in a large degree misleading. In England the system of accounting was departmental and the Comptroller and Auditor General was only an auditor. In India audit and accounting are combined. The characteristic of the English system was that the departmental accounts officer was subordinate to the head of his Department and could not give a reference to an outside authority. In India the officer who corresponded to the English departmental accounts officer was the Accountant General who was under the Finance Department and independent of the Department whose accounts he audited and had power without reference to any higher authority of requiring a reference to the Secretary of State. Again in England the Comptroller

[33] Secretary of States Telegram No. 92, dated the 9th October, 1912.

[34] Government of India Despatch No. 31, dated the 7th February, 1913.

and Auditor General was original auditor and applied his audit direct through his own staff whereas in India the original audit was delegated to a number of local officers and the duty of the Comptroller and Auditor General was chiefly supervision. In England there was no independent officer except the Comptroller and Auditor General at the summit. The case for independence of the Indian Comptroller and Auditor General they, therefore, considered was on different and much weaker grounds than that of the Comptroller and Auditor General in England. Further if the Comptroller and Auditor General were to be controlled from London, control from such a distance would be neither immediate nor effective. This may encourage an attitude of excessive meticulousness or a tendency to unnecessary interference on the part of the Auditor General. Their other reasons were as below:

(1) The appointment of an Auditor independent of the Government of India would involve the corollary that he was to look for no further promotion or appointment by the Government of India and would thus narrow the area of selection and be detrimental to efficiency.

(2) The Government of India was not aware of any evidence to show that the dependence of the Comptroller and Auditor General on the Government of India had in the past militated against the proper discharge of his audit functions.

(3) The appointment of the independent auditor would inevitably be interpreted as an admission that the Governor General and the Government of India, either had proved themselves incapable of controlling, or that doubts were entertained regarding their desire or ability to control expenditure in India.

(4) Whereas one staff was then doing duties of account and audit, the appointment of an independent chief officer of audit, would or might, necessitate the creation, at considerable expense, of a separate audit staff; they therefore, adhered to their proposal regarding the method of the Comptroller and Auditor General's appointment and the retention by him of the duties of an accounts officer in addition to those of audit.

The Finance Minister, Sir Guy Fleetwood Wilson, however, wrote a minute of dissent which was enclosed to the Despatch to the Secretary of State. As the view therein was acceptable to the Secretary of State (Lord Crewe) and the considerations mentioned in support thereof were deemed by the Secretary of State to be of the highest consequence, it is quoted in full below:

"Minute of dissent by the Hon'ble Sir Guy Fleetwood Wilson.

(1) I regret to be in opposition on this question to the majority of the Council; but a principle of paramount importance is involved and

the duty of supporting it leaves me no option but to record my dissent.

(2) This principle is that the Auditor General should be subordinate to no other than the authority finally responsible for the sanctioning of the expenditure which he audits. An auditor is a judicial officer. Primarily his duty is to determine what authority should sanction the expenditure involved. It is essential that the conditions of his office should enable him to discharge this duty without fear or favour, and this he is not in a position to do, so long as he is dependent on an authority whose orders, under the rules prescribed for his guidance, he may have to challenge.

(3) The validity of this principle is admitted by all, but the conclusions reached are different because of the varying degree of importance which is attached to it. My Hon'ble Colleagues seem ready to depart from it because of certain inconvenience which they foresee in its application to Indian conditions. I deny that there is any real inconvenience; but even if there be, and it is far more serious than it is alleged to be, in view of the enormous importance of the principle at stake, that inconvenience should be faced.

(4) This is not a serious objection. Control from a distance is an incident common to many service appointments, and experience shows that it can be made fully efficient. What evidently is feared is an audit not too facile but too meticulous and severe. An unreasonable audit would immediately reveal itself as such in the reports and audit objections, and the Secretary of State, as responsible finally not only for the expenditure but for the whole administration of India, would be the first to take exception to his chief auditor assuming the attitude of mere obstruction. The objection taken approximates a suggestion that the Secretary of State will be unable to restrain his subordinate or adjust a truly independent audit to the necessities of Indian administration.

(5) It is alleged that the political effect of the proposal has to be considered, but I cannot admit that the argument is weighty. If a limitation of powers is derogatory to the position of the Government of India, it exists already. Their financial powers are derived from the Secretary of State and extend no further than he authorises. From this position the constitutional validity of which cannot be denied, the independence of the Comptroller and Auditor General follows as a necessary and inevitable consequence.

(6) We cannot ensure that the head of the Government of India will

always be determined to uphold the purity and independence of financial criticism. The combination of a Governor General impatient of financial control and a complaisant Auditor General is a contingency which, under the scheme preferred by my Hon'ble colleagues, is as possible as it is certain to result in the imposition of Parliamentary control to a degree which may render Indian Administration well nigh unworkable.

(7) I record this minute primarily as head of the Finance Department and responsible therefore for financial regularity; but I write it nonetheless as a member of the Government of India. As such I wish to consolidate our position. It is not sufficient that we should have a conscience void of offence, it must be made patent that we are above suspicion. It is wholly in our own interest to strengthen and insist on the independence of audit, and we must be able to point to an audit authority over which we have no executive influence or control.

(8) It is not only wrong to postpone the issue presented to us; it is dangerous. If the reform of audit is our objective, the first essential is to remove an admitted and serious weakness in the position of the Chief officer of the department from whom the whole of the audit work must take its tone and quality. Indian expenditure is now exposed to the fierce glare of hostile criticism in India and at home. Honest and sound finance has become essential to our very existence, and the only way to insure honest and sound finance is to subject the expenditure to the search-light of independent audit."

The Secretary of State[35] considered that the post was necessarily one where exceptional continuity of tenure would be expected and which would not ordinarily be regarded as a stepping stone in the path of official advancement. The status and salary proposed for the post, he thought, would secure a large field of choice in the selection of an Auditor General. He was unable to share the view that the prestige of the Government of India would be affected by the grant of an independent status to the Auditor General. There were other high officers in India who were neither appointed nor removable by the Government of India. Independence, in fact, in this connection was not absolute, but was relative to the proper discharge of certain duties. The independence of the Auditor General, he said, should be secured to such extent as was required for the proper discharge of his special functions and as satisfied the criterion mentioned by the Finance Member in his dissenting minute. He was satisfied that this was compatible

[35] Secretary of States Despatch No. 149 Financial, dated the 28th November ,1913.

with the most scrupulous maintenance of the position and respect due to the Government of India. He accordingly decided that the Comptroller and Auditor General should be appointed by the Governor General subject to the approval of the Secretary of State in Council, that he should not be promoted, transferred, punished or dismissed, except with the approval of the Secretary of State in Council and that, failing promotion, transfer and dismissal he should hold office until required by the rules of his service to retire or until he resigned or was invalided; that the annual appropriation report should be addressed to the Secretary of State in Council and should be forwarded to him by the Government of India, with any observations that they might wish to make, within a period to be specified. The Auditor General's relative precedence should be reconsidered with reference to his enhanced salary and status. The Auditor General might have to take part at any time as necessary in the audit of revenue as well, just as the corresponding officer in the United Kingdom might be required by the Treasury under 29 and 30 Victoria, chapter 39, section 33. The duty of initiating improvements and of carrying out all approved extensions of audit control would be part of the ordinary duties of the Comptroller and Auditor General thus reconstituted.

The Auditor General[36] was assigned in the order of precedence a position above "19. Additional Member of the Council of the Governor General for making Laws and Regulations (which in practice included in that capacity, the Secretary to the Government of India)" and below "No. 18. Military Officers above the rank of Major General" by the insertion of a new entry 18-A. Thus in 1914 by executive order, the pay, status and independence of the Comptroller and Auditor General were raised. His position in the Warrant of Precedence now is No. 24 along with Cabinet Ministers of States, Deputy Ministers of the Union, Attorney General, Deputy Chairman of Rajya Sabha and Deputy Speaker, Lok Sabha and above Chiefs of Staff holding the rank of Lieutenant General or equivalent rank and below Chief Justices of High Courts.

The status of the Auditor General was further raised by the Government of India Act, 1919. He was given statutory recognition by Section 96D(1) of Act. He was under the executive orders of 1914 to be appointed by the Governor General subject to the approval of the Secretary of State in Council; he was now to be appointed by the Secretary of State in Council and would hold office during His Majesty's pleasure. The statutory rules made by the Secretary of State in Council made him ineligible to hold any other office under the Crown in India. His duties and powers were laid down in the statutory rules and are dealt with in the relevant chapters. Broadly the

[36] Secretary of States Telegram No. 10, dated the 16th October, 1914.

responsibilities of audit increased under the Reforms Scheme. When referring to the relaxation of financial control over local Governments, the Government of India made the following statement in paragraph 59 of its First Despatch[37] on Reforms:

> "The above proposals are contingent on the existence of a powerful and independent central audit, which will bring financial irregularity and misdemeanour prominently before the Executive and the Legislature."

Audit was also expected to present accurately year by year the financial position of the local Governments including the growth of liability. With the control of the budget by the Legislature, the importance of audit against appropriation increased.

The Government of India Act, 1935 further raised the status of the Auditor General. Section 166 thereof provided that the Auditor General of India would be appointed by His Majesty and only be removed from office in like manner and on the like grounds as a judge of the Federal Court. His conditions of service were to be prescribed by His Majesty in Council. The provisions of Rule 4 of Auditor General's Rules, 1926 that the Auditor General on vacating office, could not hold any other post under the Crown in India were incorporated in the 1935 Act itself by Section 166(2). The Order in Council laid down the following regarding other kinds of re-employment:

> "4. The Auditor General shall on his appointment give to the Governor General an undertaking that he will not after he has ceased to hold his office accept any employment in the service of a local authority or railway company in India, or of an Indian State or Ruler, or, save with the previous consent of the Governor General in his discretion any other employment in India."

The insertion of a similar provision in Rule 4 of the Auditor General's Rules, 1926, had been considered earlier and the question had been left for regulation under the new Government of India Act. Other important provisions in the 1935 Act to ensure the Auditor General's independence were that neither the salary nor his rights in respect of leave of absence, pension or age of retirement could be varied to his disadvantage after his appointment (Section 166(2)), and that the salary, allowances and pension payable to or in respect of an Auditor General, would be "charged" on the revenues of the Federation. The Auditor of Indian Home Accounts was made subject to the general superintendence of the Auditor General of

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[37] Government of India Reforms Despatch No. 1, dated the 5th March, 1919.

India.[38] The provisions in the 1935 Act for provincial Auditors General have been dealt with earlier.

Prior to Independence proposals regarding the appointment of the Auditor General were initiated by the Secretary to the Governor General (Public). After 1947 the appointment of the Auditor General was no longer a service matter but purely a statutory appointment, more appropriately to be dealt with in the Ministry of Finance. The subject "Appointment etc. of the Auditor General of India" was accordingly transferred in 1948[39] to the Ministry of Finance from the Ministry of Home Affairs who had taken over the work of the Secretary to the Governor General (Public) on the abolition of that office from the 15th August, 1947.

After Independence, as previously explained the "Auditor of Indian Home Accounts" came under full administrative control of the Auditor General of India.

The Constitution of 1950 has added to the independence and status of the Auditor General. He is appointed by the President by warrant under his hand and seal and can only be removed from office in like manner and on the like grounds as a judge of the Supreme Court (Art. 148(1)), *i.e.*, he can be removed only by an order of the President passed after an address by each House of Parliament supported by a majority of the total membership of that House and by a majority of not less than two thirds of the members of that House present and voting has been presented to the President in the same session for such removal on the ground of proved misbehaviour or incapacity (Art. 124(4)). Before he enters upon his office he has to make and subscribe before the President an oath of affirmation that he will bear true faith and allegiance to the Constitution of India as by law established, that he will duly and faithfully and to the best of his ability, knowledge and judgment perform the duties of his office without fear and favour, affection or ill-will and that he would uphold the Constitution and the Laws (Art. 148(2)). As in the 1935 Act neither his salary nor his rights in respect of leave of absence, pension or age of retirement can be varied to his disadvantage after his appointment (Art. 148(3)). He has been made ineligible for further office either under the Government of India or under the Government of any State after he has ceased to hold his office (Art. 148(4)). The provisions in para 4 of the Order in Council of 1936 regarding employment under local authority

[38] Government of India, Finance Department Despatch to the Secretary of State No. 4, dated the 4th August, 1932 and Secretary of States Despatch No. 11 services, dated the 6th October, 1932.

[39] Government of India, Ministry of Home Affairs letter No. 51/286/48 Public, dated the 22nd June, 1948.

or any other employment in India have, however, not been repeated. The administrative expenses of his office are charged upon the Consolidated Fund of India (Art. 148(1)). The salary, allowances and pension payable to or in respect of the Comptroller and Auditor General are also charged upon the Consolidated Fund of India (Art. 112(3)(e)). Rules relating to the conditions of service of persons serving in the Indian Audit and Accounts Department and his administrative powers are made by the President only after consultation with him (Art. 148(5)). His powers relating to Accounts and Audit and his administrative powers are dealt with in the appropriate chapter. His term of office has been fixed at six years. (The Comptroller and Auditor General (Conditions of Service) Act, 1953). These provisions safeguard his independence today.

Dr. B.R. Ambedkar one of the architects of India's Constitution, speaking in the Constituent Assembly[40] on Shri T.T. Krishnamachari's amendment No. 1981 providing for the administrative expenses of the office of the Comptroller and Auditor General to be "charged" upon the revenues of India said:

> "The reason why it is made nonvotable is a very good reason because just as we do not want the executive to interfere too much in the necessities as determined by the Auditor General with regard to his own requirements, wo do not want a lot of legislators who might have been discontented for some reason or other or because they may have some kind of a fad for economy, to interfere with the good and efficient administration of the Auditor General."

This provision folllows a similar provision made in Art. 146(3) making the administrative expenses of the Supreme Court charged upon the Consolidated Fund of India. But there is one difference. The Comptroller and Auditor General has, besides his Headquarter office, a large number of Audit and Accounts offices subordinate to him and it is they that do primary audit. Merely making the expenses of the Headquarter office "charged" would not cover fully the object referred to in the preceding paragraph.

Another amendment that came up in the Constituent Assembly in 1949[41] will be of special interest. Prof. K. T. Shah (Bihar: General) moved an amendment No. 1983 providing for the Auditor General to be appointed from Registered Accountants or those holding an equivalent qualification having not less than ten years practice. The amendment was lost after a vigorous speech[42] by Shri T.T. Krishnamachari which is quoted below:

"I must say that Prof. Shah's amendment is an original one and quite

[40] Constituent Assembly Debates 1949, Vol. VIII, No. 1, p. 408.

[41] [42] *Ibid.*, p. 410.

in conformity with ideas prevalent in the commercial world but I am afraid it is out of tune completely with existing practice in the matter of the appointment of the Auditor General in this country and elsewhere. Actually the man who is an Auditor General is not an accountant *per se*. He has a number of other duties to perform and in so functioning he has got to have a knowledge of the entire administration and I think the present method of appointment of Auditor General in India is perhaps the best. We had some very good Auditors General who were administrators and who had been in the Finance Department and who had functioned as Accountants General in various places and who had held other important responsible positions, so that it is not merely a question of arithmetic or accounting knowledge that is necessary but a comprehensive knowledge of the entire administration. From that point of view I think the House will readily concede that the view taken by Prof. Shah, however plausible, is *extremely narrow*. A person who has got the qualification of only Registered Accountant and nothing else, which will probably be the case if you rule out administrative experience, will not suit as an Auditor General. Having some experience of Registered Accountants myself, I do not think it is a type of work that is impossible for anybody else who has got a comprehensive knowledge of administration and accounting, to get to know. All the knowledge of a Registered Accountant is certainly known to a person who holds the position of an Auditor General in the Government of India or Accountant General and I see no reason why I should support Mr. Shah's view and ask the House to accept his amendment which if anything will upset the arrangement that now exists and will make it very difficult for the future Government to choose an appropriate person to function as Auditor General."

The question of qualifications for the office of Comptroller and Auditor General again came up in discussion in the Lok Sabha in 1953 in connection with the Comptroller and Auditor General (Conditions of Service) Bill. After referring to the discussions in 1949[43] in the Constituent Assembly, the Finance Minister, Dr. C. D. Deshmukh, indicated the intention of the Government of India in these respects in the following words:

"The plain intention is that the Auditor General will be chosen from among people who have the kind of administrative experience which is needed as a background for the correct discharge of the duties of this high office. And it is very unlikely that we shall go outside the administrative sphere for making our choice much less to the very lowest

[43] Lok Sabha Debates 1953, Vol. IV, Part II, p. 5382.

levels of the administrative sphere in order to select a person,with two years or even six years of service.

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Now, in this connection in regard to the qualifications for the appointment, I would like with your permission, to read out something which is contained in *The Control of Public Expenditure: Financial Committees of the House of Commons* by Basil Chubb. This is an authoritative book on the subject. It says:

> "The position of the Auditor General is unique in many respects. Although he is a civil servant by training and though he works with the Civil Service and his subordinates are civil servants, yet he is not one of them. His constitutional status and duties isolate him —it is the Constitution which isolates him—and he is, in the words of Sir Frank Tribe himself, 'very much a lone wolf'. Unlike any civil servant, he has no chief. He has statutory duties and large discretionary powers, and, though it is his job to aid the House, the responsibility for his actions is his alone. The annual reports he writes are his personal comments, apart from a few matters on which he is directed to report.
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> "Again, although he conducts the audit of the public accounts and heads a staff of auditors he need not himself be a trained auditor. In practice, he is by profession an administrative civil servant. His position is thus somewhat analogous to that of the amateur head of a department of professionals, which is a feature of British administration. Yet he is not entirely amateur, for he brings to this post the training and knowledge of a senior civil servant and the views of the departments and as an officer of the House, he also regards it as his duty to watch the trends of parliamentary opinion.
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> "I submit that if we continue to make our choice from the field which has been indicated here, we have every chance of getting a Comptroller and Auditor General who would do credit to that particular job."

The powers of appointment of and control over this staff given to the Auditor General in the Constitution are less than those given to the Supreme Court in respect of its staff. The observations quoted below made by

Dr. Ambedkar[44] in this connection are of great interest:

* * *

"I cannot say that I am very happy about the position which the Draft Constitution, including the amendments which have been moved to the articles relating to the Auditor General in this House, assigns to him. Personally, speaking for myself, I am of opinion that this dignitary or officer is probably the most important officer in the Constitution of India. He is the one man who is going to see that the expenses voted by Parliament are not exceded, or varied from what has been laid down by Parliament in what is called the Appropriation Act. If this functionary is to carry out the duties—and his duties, I submit, are far more important than the duties even of the judiciary he should have been certainly as independent as the Judiciary. But, comparing the articles about the Supreme Court and the articles relating to the Auditor General, I cannot help saying that we have not given him the same independence which we have given to the Judiciary, although I personally feel that he ought to have far greater independence than the Judiciary itself.

"One difference, if I may point out, between the position which we have assigned to the Judiciary and which we propose to assign to the Auditor General is this. It is only during the course of the last week that I moved an amendment to the original Art. 122, vesting in the Supreme Court the power of appointment of officers and servants of the Supreme Court. I see both from the original draft as well as from the amendments that are moved that the Auditor General is not to have any such power. The absence of such a power means that the staff of the Auditor General shall be appointed by the Executive. Being appointed by the Executive, the staff shall be subject to the Executive for disciplinary action. I have not the slightest doubt in my mind that if an officer does not possess the power of disciplinary control over his immediate subordinates, his administration is going to be thoroughly demoralised. From that point of view, I should have thought that it would have been proper in the interests of the people that such a power should have been given to the Auditor General. But, sentiment seems to be opposed to investing the Auditor General with such a power. For the moment, I feel that nothing more can be done than to remain content with the sentiment such as it is today. This is my general view."

Art. 121 of the Constitution prohibits any discussion in Parliament

[44] Lok Sabha Debates 1953, Vol. IV, Part II, p. 407.

with respect to the conduct of any judge of the Supreme Court or of a High Court in the discharge of his duties except upon a motion for presenting an address to the President praying for the removal of the Judge under the procedure in Arts. 124(4) and 218. Though the Comptroller and Auditor General is irremovable from office except in like manner and on the like grounds as a judge of the Supreme Court, yet the Constitution contains no similar provision for the Auditor General as for Judges of the Supreme Court in Art. 121 with respect to discussion in Parliament of his conduct in discharge of his duties. Certain conventions as indicated below, however, have come into being in this regard and are observed in both the Houses of Parliament.

> "The Speaker of the Lok Sabha, the late Shri G.V. Mavalankar, ruled that so long as the Comptroller and Auditor General was responsible for maintaining accounts in addition to conducting audit, admissibility of questions relating to the former must be regulated as in the case of any other Ministry. In regard to audit functions of the Comptroller and Auditor General, questions relating to day-to-day administration are not normally admitted, but questions involving supply of factual data or statistics or on matters which have a bearing on policy may be admitted. Normally such questions are admitted for written answer only so that the need for raising supplementaries may be avoided. The Minister of Finance, who is responsible for answering such question in the House, in practice gets the material for answer from the Comptroller and Auditor General and places it before the House and may answer supplementaries from such additional material as the Comptroller and Auditor General may have furnished him. In case the Minister has no information, he informs the House that he will request the Comptroller and Auditor General to look into the matter."[45]

There have been occasions when comments on the conduct of the Auditor General in respect of his audit duties made on the floor of the House have been ordered by the Speaker to be expunged from the proceedings. In this connection reference may be made to the observations made by the Prime Minister in the Lok Sabha in the course of a debate on the 19th November, 1952. He said, "For the Comptroller and Auditor General to be criticised on the floor of the House would tend to undermine his special position under the Constitution and would make it difficult for him to discharge his duties without fear or favour."

We have traced in the preceding paragraphs the evolution of the status

[45] S. L. Shakdher, *Indian Journal of Public Administration*, New Delhi, Vol. IV, No. 4, pp. 398.

and independence of the Auditor General from the time the British Queen assumed the Government of India in 1858 down to the present day after Independence. The Auditor General and his big department are a part of the huge machinery of Government, an important part no doubt in a democratic republic and by his independence, we mean, not absolute independence of the Executive but independence in sufficient measure to enable him to discharge his important and onerous duties without difficulties and hindrance and play his role which, in the words of the former Auditor General, Shri A.K. Chanda[46] "is to maintain the dignity, independence, detachment of outlook and fearlessness necessary for a fair, impartial and dispassionate assessment of the actions of the Executive in the financial field." It is true that the Auditor General has to go to the Executive for the budgetary provision for his department and though vested with high administrative powers which are detailed in Chapter XXI has still to obtain the approval of the Executive in various matters relating to the running of his own organisation. But this dependence on Government for his staff and funds exists in other democratic countries also, but Governments have to regard the fact that if funds and staff were not forthcoming the Auditor General would report the position to Parliament. As stated[47] by the former Auditor General, Shri A. K. Roy, "while it is possible to argue theoretically that being compelled to obtain approval of executive authorities in the matter of running his own organisation, the Comptroller and Auditor General may consciously or unconsciously be less critical of that authority, past experience shows that in practice this is unlikely to happen." This is a healthy feature in the growth of Indian democracy.

In fact conventions have been developed with the Ministry of Finance to ensure a proper appreciation of the Auditor General's requirements for the efficient running of his department. A committee consisting of the Deputy Comptroller and Auditor General and senior officers of the Ministry of Finance considers the requirements of the Indian Audit and Accounts Department, when the budget proposals are ready. In case of disagreement, which has not happened so far, the Minister of Finance and the Comptroller and Auditor General are expected to discuss and come to a settlement.

SALARY

In tracing the genesis of the office of the Comptroller and Auditor

[46] Asok K. Chanda, *Indian Administration*, p. 247.

[47] Lecture delivered by Shri A.K. Roy at the Defence Services Staff College, Wellington, on the 18th May, 1962.

General of India reference has been made earlier to the post of Accountant General to the Government of India and to the orders of the Government of India issued in 1857 constituting a General Department of Account, which, *inter alia*, fixed for that post the largest salary in the Department, *viz.*, Rs. 3,500 p.m. The same rate of pay obtained immediately prior to the formation of the General Department of Account. Neither the designating the "Accountant General to the Government of India" as "Auditor General of India" in 1860, nor the constitution of the Audit Board simultaneously affected this rate of pay. The further re-organisation in 1862 merely emphasised his importance as "the Head of the important Departments of Account and Audit charged with the important duty of bringing the accounts of the Empire together" and left his pay unchanged. When in 1865 the Board of Audit was abolished and the post came to be called "Comptroller General of Accounts", the same pay continued; nor did the re-organisation of 1880[48] affect it.

In 1881 in connection with the proposal for the establishment of an independent appropriation audit to supplement the departmental audit, the Government of India[49] under Lord Ripon recommended that an Auditor General distinct from the Comptroller General should be appointed on a pay which should after 20 years service be equal to that of a Secretary to Government. Eventually it was decided that the Comptroller General will do the appropriation audit and be designated Comptroller and Auditor General. The Secretary of State[50] held that even with the duties of Auditor General attached, the pay of the post was sufficient. Again while submitting revised proposals based on the suggestions of the Secretary of State on various issues involved, the Government of India[51] brought to the notice of the Secretary of State that the duties of this officer had increased both in magnitude and complexity of late years, that the proper working of the system of Indian accounts depended upon the zeal and ability of this officer and that a wide experience of the administrative system as well as a thorough knowledge of technical details were becoming more and more necessary every day for the proper discharge of his duties. Offices of the Military Controller and the Examiner of Public Works Accounts had been brought within the Comptroller General's

[48] Government of India, Financial Department Resolution No. 3577, dated the 4th November, 1880.

[49] Government of India, Financial Department Despatch to the Secretary of State No. 249, dated the 1st October, 1881.

[50] Secretary of States Despatch No. 103, Financial Department, dated the 23rd March, 1882.

[51] Government of India, Financial Department to the Secretary of State No. 278, dated the 8th September, 1882.

inspection and the addition of appropriation audit, the intention to enforce more strictly in future the Comptroller General's responsibility for the proper working of the whole system of accounts than had been done till then, and the need for attracting the highest talent to the Civil Accounts Department and for the removal of any inducement to seek for advancement to more highly paid officers were also put up as additional arguments for the scale of pay of Rs. 3500—100—4000. They also brought to notice that the salary of the Comptroller General in force was less than that of a Chief Secretary to the Government of Madras or Bombay, or a member of the Board of Revenue of the Lower Provinces or of the Civil Secretaries to the Government of India. The Secretary of State, Lord Hartington and later in the same year Lord Kimberley could not still accept the proposal for increase.[52] The matter was allowed to rest for twenty-four years. In 1883, however, the Secretary of State for India upon the recommendation of the Government of India sanctioned[53] the grant to the then Comptroller General, Mr. J. Westland a personal allowance of Rs. 500 a month in addition to his pay, effective from the 13th January, 1883 and tenable by him for so long as he held that appointment.

The Government of India under Lord Minto again broached the subject in 1906[54] and reiterated the proposal for increase in pay to Rs. 3500—100—4000. They said that the justification for the recommendations made twenty-four years earlier has since grown much stronger. The total revenue of India had grown by 84 per cent, expenditure by 261 per cent, the rupee funded debt by 40 per cent, Post Office Savings Banks deposits by 313 per cent, the note circulation by 122 per cent and so on. While the amount of work may not be proportionate to the magnitude of the sums dealt with, they pointed out, the conclusion was irresistible that there must have been some—and no inconsiderable—increase in the work devolving upon the Comptroller and Auditor General. Moreover, since 1893 when the system of open mints ended, regulation of currency had become a most anxious and delicate branch of administration, for which the Comptroller General was the principal expert adviser and the creation of the Gold Reserve Fund and the addition to it of a Silver Branch had all contributed their quota to the increase of work. Cost of living had risen, especially in Calcutta, where house rent had gone to an exhorbitant figure. Lastly, the Comptroller General had

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[52] Secretary of States Despatch No. 401 (Finl.), dated the 21st December, 1882.

[53] Government of India, Finance Department Proc. No. 859, letter No. 987, dated the 18th May, 1883.

[54] Government of India, Financial Department Despatch to the Secretary of States No. 198, dated the 7th June, 1906.

ordinarily very little prospect of further promotion, though theoretically promotion to the Secretaryship of the Finance Department was open to him.

It was not till the Government of India had one more round with the Secretary of State that he agreed to the proposal. The Government of India[55] had again to point out that the Comptroller General had now a much larger establishment under his ultimate control. The audit of the Postal Department had come under him since 1882. They emphasised the responsibilities involved in the supervision of a managed currency. Apart from the prospects of promotion, they pointed out that the Comptroller General was deprived of certain amenities which were enjoyed by other Executive Officers, *e.g.*, taking casual leave at any time of the year and carrying his work to the hills. Lastly, they said an addition to the emoluments of the prize appointment in the department should add to its popularity, make recruitment to it more easy and make for a general increase of efficiency. This time the Secretary of State[56] said he would no longer withhold his sanction to the increase. The scale of Rs. 3500—100—4000 became effective from the 24th March,[57] 1907. The rules were relaxed in favour of Mr. O. T. Barrow, the then Comptroller and Auditor General to allow him to count as service in that scale the whole of his substantive service as Comptroller and Auditor General prior to that date.[58]

The question of a further increase in pay was next raised in 1912 by the Government of India under Lord Hardinge, as part of a scheme relating to the improvement of audit and financial control in the country and with a view to raising the status of the chief audit officer in full proportion to the importance of his functions. Even after the proposed transfer of currency, resource and allied functions from the Comptroller and Auditor General to the new post of Controller of Currency, the Government of India thought that in view of the substantial increase in the status of the chief audit officer proposed by them, that officer should draw a consolidated pay of Rs. 5000 per mensum without Exchange compensation allowance. They brought to notice the growth in extent, in complexity and importance day by day of his audit and account functions. The amalgamation of Public Works with the Civil Accounts had raised the number of officers under him from 72 to 140. He had further to audit the books of Government Presses and was in charge

[55] Government of India Despatch to the Secretary of State No. 468, dated the 27th December, 1906.

[56] Secretary of States Despatch No. 33 Financial, dated the 8th March, 1907.

[57] Government of India, Financial Department letter to the Comptroller and Auditor General No. 2098, dated the 8th April, 1907.

[58] Secretary of States Despatch No. 1145 Financial, dated the 18th October, 1907.

of the accounts of the Military works services. But more important than the volume was the change in the character of the work. The Comptroller General though nominally the Head of all the Accounts, was in the past in reality supreme in the civil side only. The Comptroller General of the future would be the final and effective authority in all matters of account and audit. The change in the conception of his position was fundamental. A further argument was that while in England the post of Comptroller and Auditor General was one of the most highly paid and most esteemed in the civil service, in India where the position of the Finance Department was by no means so strong as that of the Treasury in England, the position of the Chief Auditor had to be even stronger in the absence in India of the extra departmental influences, the force of public opinion and the strict examination of the Public Accounts Committee which reinforced in England the efforts of the auditor in securing financial regularity. Further while in England there was in each department an accounting officer with proper establishment whose duty was to secure financial regularity and see that the expenditure was proceeding in accordance with Parliamentary sanctions, which the Comptroller and Auditor General, with a comparatively small staff rechecked to an extent which varied, in India the work of accounting and audit was extra departmental and was conducted by a separate set of officers, very large in numbers, independent of departments and subordinate only to the Government of India in the Finance Department. The Government of India reiterated[59] in 1913 their recommendation for a fixed salary of Rs. 5000. The Secretary of State (Lord Crewe) sanctioned this salary.[60] The Government of India, however, reconsidered[61] the distribution of duties between the Auditor General and the Controller of Currency and concluded that the only practical course was to relieve the Comptroller General entirely of functions connected with the budget and to transfer them to the Controller of Currency. This relief in duties combined with the fact that the Comptroller General would be a touring officer with permanent headquarters at Delhi and would thus be to a large extent free from the heavy social obligations and other expenses usually attaching to the highest paid appointments in India justified, the Government of India thought, a somewhat lower rate of pay and suggested Rs. 4500 per mensem without exchange compensation allowance. This was

[59] Government of India, Financial Department Despatch to the Secretary of State No. 31, dated the 7th February, 1913.

[60] Secretary of States Despatch No. 149 (Financial), dated the 28th November, 1913.

[61] Government of India, Finance Department Despatch to the Secretary of State No. 210, dated the 25th June, 1914.

sanctioned by the Secretary of State.[62] Mr. R. A. Gamble was appointed on this salary as substantive Comptroller and Auditor General with effect from the 29th October, 1914, with the approval of the Secretary of State.

Under the statutory Rules made by the Secretary of State in Council under Section 96D(1) of the Government of India Act, 1919[63] the pay of the Auditor General was fixed at Rs. 5000 a month, as the Secretary of State[64] considered that it was desirable to recognise the increased importance and responsibility that would attach to the office of Auditor General with the development of responsible Government in India, by augmentation of his emoluments. These rules came into force from the 4th January, 1921, and Mr. M.F. (later Sir Frederic) Gauntlett was appointed by the Secretary of State in Council to the Auditor General in India with effect from that date.

The Government of India (Audit and Accounts) Order, 1936, made by His Majesty in Council on the 18th December, 1936 laid down that the salary of the Auditor General of India shall be at the rate of Rs. 60,000 per annum.

The next change in salary was made by the Constitution in 1950. In Part E of the Second Schedule it has been laid down that the Comptroller and Auditor General of India shall be paid a salary at the rate of Rs. 4000 per mensem. The person who was holding office as Auditor General of India immediately before the commencement of the constitution, *viz.*, the 26th January, 1950 and who became from that date under Art. 377 the Comptroller and Auditor General was made entitled to a grant of special pay of Rs. 1000 per mensem to make up to Rs. 5000 he was in receipt of prior to that date. The new rate of Rs. 4000 maintained the difference of Rs. 1000 between the pay of Secretaries to the Government of India reduced after the First Central Pay Commission's proposal from Rs. 4000 to Rs. 3000 and that of the Auditor General who was allowed Rs. 5000 formerly, Art. 148 of the Constitution provides for the salary of the Comptroller and Auditor General being fixed by Parliament by law and until it is so determined the rate specified in the Second Schedule and referred to above is to prevail. The Comptroller and Auditor General (Conditions of Service) Act, 1953, which laid down the tenure and the pension of the Comptroller and Auditor General, provided that other conditions of service shall be as specified in the Second Schedule of the Constitution.

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[62] Secretary of States Despatch No. 82 Financial, dated the 31st July, 1914.

[63] Secretary of States Despatch No. 58 Financial, dated the 6th January, 1921 and Gazette of India Part I, p. 146.

[64] Secretary of States Despatch No. 86 Financial, dated the 28th October, 1920.

Leave

The leave of the Auditor General has been regulated by the rules of the service to which he belonged, those in the Civil Service Regulations till the 31st December, 1921 and the Fundamental Rules from the 1st January, 1922. Rule 4 of the Statutory Rules made on the 4th January, 1921 under Section 96D(1) of the Government of India Act, 1919 (replaced as Rule 4 in the Auditor General's Rules made on the 13th April, 1926) read as follows:

> "4. The Auditor General shall be entitled to leave on the conditions laid down in Section 96B of the Act and the rules in force thereunder for the officers in the civil service of the Crown in India, or if he was not, prior to his appointment, in the civil service of the Crown in India, on such conditions as may be prescribed at the time of his appointment by the Secretary of State in Council."

The Order in Council of 1936 made under Section 166(2) of the Government of India Act, 1935 contained the following provision for leave:

> "7. (1) An Auditor General who at the date of his appointment was in the service of the Crown in India may be granted leave during the tenure of office in accordance with the rules for the time being applicable to the service to which at the date of his appointment he belonged, his service as Auditor General being treated for the purpose of those rules as continuing service counting for leave in the service to which he belonged.
>
> (2) Any other Auditor General may be granted leave on such terms and conditions as may be prescribed by order in council.
>
> "8. The power to grant or refuse leave to the Auditor General, and to revoke or curtail leave granted to him, shall be vested in the Governor General acting in his discretion."

Under the Constitution of 1950 the right in respect of leave continues to be governed by the provision mentioned above (Second Schedule and Art. 148(3)).

There has been no case of an Auditor General appointed from outside the civil service.

Pension

While, as detailed earlier, the question of raising the salary of the Comptroller and Auditor General was considered by the Government of India and the Secretary of State for India on several occasions prior to India's Independence, they were satisfied with the position that his pension should be

governed by the rules applicable to the service to which he belonged. Even after the promulgation of the Government of India Act, 1919, when the increased importance and responsibility that would attach to the office of the Auditor General with the development of responsible Government in India were recognised by an augmentation of his emoluments to Rs. 5000 per month, the Government of India held and the Secretary of State agreed that there was no sufficient case for sanctioning a special pension in excess of that admissible under rule when the Auditor General is a member of one of the regular services. It was intended that the case of an appointment from outside the ranks of the services would have to be specially considered. The statutory rules made in 1921 by the Secretary of State in Council under Section 96D(1) of the Act of 1935 contained the following provision regarding the Auditor General's pension.

"The Auditor General's service pension shall be calculated in accordance with the provisions of Section 96-B of the Act and the rules in force thereunder for other persons in the civil service of the Crown in India.

"The amount of the Auditor General's pension shall, if he was prior to his appointment in the service of the Crown in India, be calculated in accordance with the provisions of Section 96B of the Act and the rules in force thereunder for the service to which he belonged, and otherwise in accordance with such terms as the Secretary of State in Council may fix in the case of each person appointed."

These provisions were reiterated in the Auditor General's Rules, 1926.

The Order in Council of 1936 under the Government of India Act, 1935 contained the following provisions:

"9. (1) An Auditor General who at the date of his appointment was in the service of the Crown in India shall be eligible for such pension as may be admissible under the rules for the time being applicable to the service to which at the date of his appointment he belonged, his service as Auditor General being reckoned for the purposes of those rules as service for pension including higher additional pension, on such terms and conditions as may be prescribed by or under those rules:

Provided that, if, when any such Auditor General vacates his office, leave might have been granted to him pending retirement under the rules for the time being applicable to his former service if he had continued to be and still was a member thereof with a claim to further employment in a permanent post, his pension in respect of the period for which leave might have been so granted shall be an amount equal to the pay and allowances which would be payable to him if he were on leave

from the office of Auditor General, and his ultimate pension shall be computed as if the said period were a period of service as Auditor General.

"(2) Any other Auditor General shall be eligible for such pension, if any, as may be prescribed by Order in Council."

As regards the proviso to sub-para of paragraphs 9 reproduced above it was at first thought desirable to make provision for a "service" Auditor General taking such leave on vacation of office as would be admissible in like circumstances to a member of the services under the Fundamental Rules, including a maximum period, subject to the conditions laid down in Fundamental Rule 86, of six months after "the date on which he must compulsorily retire". Some legal difficulty was foreseen in making a provision for leave as from a service after the vacation of a high office the nature of which required its incumbent to be free from any further "service" expectation. The expedient of granting an enhanced rate of pension equivalent to leave salary for the period corresponding to what would be refused leave for a service officer was therefore resorted to.

The pension of the Comptroller and Auditor General is now governed by the Comptroller and Auditor General (Conditions of Service) Act, 1953. A Comptroller and Auditor General who was in the service of the Government at the date of his appointment, is eligible on retirement to such pension as may be admissible to him under the rules for the time being applicable to the service to which he belonged at the date of his appointment and to an additional pension of Rs. 600 per annum in respect of each completed year of service as Comptroller and Auditor General. The aggregate of all pensions is subject to a maximum in the case of a member of the Indian Civil Service of £ 1000 per annum and in the case of a member of any other service to Rs. 12,000 per annum. It has been held that this maximum is not affected by the Death-cum-Retirement gratuity admissible to officers under the Liberalised Pension Rules promulgated on the 17th April, 1950. There is no provision now to compensate by increased pension for the leave salary for a period corresponding to refused leave as was made in the Order in Council of 1936.

TENURE

So long as the retirement of the Auditor General was governed by the rules of the service to which he belonged and there was no bar to his advancement in service, the question of fixing a period of tenure did not arise. The Government of India in a despatch to the Secretary of State of the 28th

November, 1913 said: "The post will necessarily be one where exceptional continuity of tenure will be expected, and which will not be regarded as a stepping stone on the path of official advancement. This must equally be the case, and the possibility of exceptional promotion of the Auditor General will equally exist, whatever be the authority by which he is appointed." Section 96D(1) of the Government of India Act, 1919 laid down that the Auditor General in India "shall hold office during His Majesty's pleasure". This prescription had not been qualified in any way. This specific provision had the effect of removing the incumbent for the time being of the office of the Auditor General from the scope of the general rules in the Civil Services Regulations. Thus an officer of the Indian Civil Service might continue to hold the appointment of Auditor General after completing 35 years' service and an officer belonging to one of the other Indian services might continue to hold it beyond the age of 55 years. The Government of India, therefore, proposed in 1928[65] that, as in the case of High Court judges where a similar situation had been met by arranging that on appointment, an undertaking should be given by them to retire at the age of 60 years, on appointment as Auditor General, the officer selected should be required to give an undertaking that he would retire, if a member of the Indian Civil Service on completion of thirty-five years' service and if he was a member of any other service on attaining the age of Fifty-five years; but that in the case of a member of the Indian Civil Service appointed after completing thirty years' service or a member of any other Indian service after attaining the age of fifty, the undertaking should be modified to the extent that the officer may be permitted to complete five years' service in the appointment of Auditor General. It was thought that occasions might arise when an officer of such seniority might be the most suitable candidate, while, on the other hand, it might safely be postulated that, as a general rule, it would be in the public interest that an individual Auditor General should continue in office for at least five years. The Government of India contemplated necessarily, that an officer of over 30 years' service or over 50 years of age would not be selected unless the Secretary of State in Council was satisfied that he would be capable, in every way, of rendering thoroughly efficient service for a period of five years: and this would be a matter for ascertainment in each individual case. The proposal of Lord Irwin's Government was accepted[66] by the Secretary of State (Lord Birkenhead). The Order in Council of 1936 made under the Government of India Act, 1935, accordingly provided for a minimum tenure

[65] Government of India, Finance Department Despatch to the Secretary of State No. 1, dated the 9th February, 1928.

[66] Secretary of States Despatch No. 11 Financial, dated the 19th April, 1928.

of five years as in paragraph 6 thereof reproduced below:

"6.(1) An Auditor General who at the date of his appointment was a member of the Indian Civil Service shall vacate his office on completing Thirty-five years' total service in that service and as Auditor General:

Provided that, if at the date of his appointment he had completed thirty years' service or more, he may hold office for five years.

"(2) Any other Auditor General shall vacate his office on attaining the age of fifty-five years, or, if at the date of his appointment he had attained the age of fifty, after holding office for five years."

The Comptroller and Auditor General (Conditions of Service) Act, 1953, contains the following provisions:

"2. Term of office of Comptroller and Auditor General—A Comptroller and Auditor General of India shall hold office for a term of six years from the date on which he enters upon this office:

Provided that he may at any time by writing under his hand addressed to the President resign his office."

The reason for fixing only a period, tenure without an age limit, was given by the Finance Minister Dr. C. D. Deshmukh[67] in the following words:

"We took the six years from the similar provision in regard to the Union Public Service Commission, and we thought that that was a reasonable period. The Constitution-makers seemed to regard that as a suitable period for somewhat similar, or at least similar important, jobs. We thought we could not go far wrong if we were to adopt that period. The danger of laying down a very high age limit would be, in view of the present cadre from which we shall have to make a choice, that we should have to have the same person as Comptroller and Auditor General for, I do not know how many years—may be fourteen years or fifteen years. I think it is not right that any such office should be held for such a length of time by any single person, no matter how good and how deserving he may be. There is always the danger of his getting stale, shall we say, or losing that fresh outlook and that initiative he ought to possess if he is to discharge his responsibilities competently."

Other Conditions of Service

Prior to the Government of India Act, 1935 the provisions in the Civil Service Regulations till the 31st December, 1921 and later the Fundamental

[67] Lok Sabha Debates 1953, Vol. IV, No. 1, Part II, p. 5386.

and Supplementary Rules, the Superior Civil Services (Pay, Passage and Pension) Rules and the Medical Attendance Rules for Central Government officers regulated the other conditions of service of the Auditor General. Even in the statutory Rules made by the Secretary of State in Council under Section 96D(1) of the Government of India Act, 1919, specific provision was made for salary, leave and pension only. Paragraph 10 of the Order in Council of 1936 under Section 166 of the Government of India Act made the following provision:

"Subject to the provisions of section one hundred and sixty-six of the Act and of this Order and any other Order in Council made under the said section, the conditions of service of the Auditor General, including his emoluments during any period of duty out of India and his travelling allowances while travelling on duty, shall be determined by the rules for the time being applicable to an officer of non-Asiatic domicile, or, as the case may be, of Asiatic domicile, appointed by the Secretary of State in Council or the Secretary of State to a civil service in India and holding the rank of Secretary to Government:

Provided that nothing in this paragraph shall have effect so as to give to an Auditor General who was at the date of his appointment in the service of the Crown in India less favourable terms in respect of any of the matters aforesaid than those to which he would be entitled as a member of the service to which at the date of his appointment he belonged, his service as Auditor General being treated for the purposes of this proviso as continuing service in the service to which he belonged."

The Comptroller and Auditor General (Conditions of Service) Act, 1953 laid down that except as regards term of office of and pension payable to the Comptroller and Auditor General, his other conditions of service would be as specified in the Second Schedule, *i.e.*, would be governed by the provisions applicable to the Auditor General immediately before the 26th January, 1950. This leads to the Order in Council of 1936 and Rules applicable to a Secretary to Government.

Provision for a Temporary Vacancy or Absence from Duty

Section 96D(1) of the Government of India Act, 1919, empowered the Secretary of State in Council to make by rules provision for the discharge of the Auditor General's duties in the case of a temporary vacancy or absence from duty. The Rules made by the Secretary of State accordingly provided as follows:

"In the case of a temporary vacancy in the post of Auditor General, or

of the absence of an Auditor General from duty, the Governor-General in Council shall have power to appoint an officiating Auditor-General. The salary of such officer shall be fixed in accordance with the rules in force under section 96B of the Act regulating the salary of an officiating officer."

Under Section 166 of the Government of India, the power of appointment of the Auditor General vested in His Majesty and his conditions of service were to be prescribed by His Majesty in Council. No specific mention was made of arrangements to be made in the case of temporary vacancies or absence from duty though such provisions had been made in such cases in respect of the Chief Justice of India and the Chief Justice of a High Court. It was proposed to provide in the Order in Council that when any person appointed by His Majesty to perform the duties of the Auditor General performs such duties, he should, save as may be otherwise prescribed by His Majesty in Council, be entitled to the same salary and privileges as the Auditor General. This was not done for the reason quoted below:

"As regards officiating appointments during any period of leave that may be taken by the Auditor General, no provision is required in order to enable an officer to act for him, in view of the provision made in paragraph 19 of the draft Order. As regards a temporary appointment during a vacancy in that office, it is considered that no provision can be made for such a contingency in the Order, which would be *intra vires*. Should it be desired to make such an appointment it would be necessary to make an *ad hoc* Order in Council."

Paragraph 19 referred to above reads as follows:

"Anything which under this Order is directed to be done by the Auditor General may be done by an officer of his department authorised by him, either generally or specially:

Provided that except during the absence of the Auditor General on leave or otherwise, an officer shall not be authorised to submit on his behalf any report which the Auditor General is required by the Act to submit to the Secretary of State, the Governor General or the Governor of a Province."

The Constitution of 1950 does not also make any provision for officiating or temporary Comptroller and Auditor General.

CHAPTER III

THE GROWTH OF THE DEPARTMENT

Accounts and Audit in the Hindu Period

Though the offices of Audit and Accounts now under the Comptroller and Auditor General of India are largely the result of evolution from the days of the East India Company, the importance of a properly designed system of accounts for recording transactions relating to the revenues and expenditure of Government including receipts in kind, the need for rendering accounts in time and for a prompt and early check thereof, of balancing expenditure with revenue and for avoiding delays in disbursement of dues to service personnel to keep up morale were all recognised in India even over two thousand years ago. Shri P.K. Wattal in his book *Parliamentary Control in India* observes as follows:

> "Mr. Micawber, who never could keep his finances in order and was always dependent on something turning up, enunciated the golden rule of private finance in the following words: 'If a man has twenty pounds a year for his income and spends nineteen pounds, nineteen shillings and six pense, he will be happy, but if he spends twenty pounds, one shilling, he will be miserable.'
>
> "The same rule applies to public finance. . .The ideal of state economy is to establish a balance between receipts and expenditure. . .The best practical rule is to aim at a slight excess of receipts over outlay to prevent the chance of a deficit."

This principle could not be better stated than done by Valmiki[1] in the famous epic, the Ramayana. Shri Rama who went to the Dandaka forest leaving the kingdom to be ruled by his brother Shri Bharata asked his brother the following question when they met in the forest.

आयस्ते विपुलः कच्चित्कच्चिदल्पतरो व्ययः ।

"Is your income more than your expenditure and your expenditure less than your income ?"

Regarding delays in disbursements of dues to Government employees this is what Shri Rama had to say to his brother Bharata:

कच्चिद्बलस्य भक्तं च वेतनं च यथोचितम् ।
संप्राप्तकालं दातव्यं ददासि न विलम्बसे ॥

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[1] Valmiki Ramayana, *Ayodhya Kanda*, Sarga 100.

कालातिक्रमणाच्चैव भक्तवेतनयोर्भृताः ।
भर्तुः कुप्यन्ति दुष्यन्ति सोनर्थः सुमहान्स्मृतः ।।

"Are you paying what are payable to the army as rations and salaries as they fall due for disbursement and are not dilatory?

"Inordinate delays in the distribution of rations and disbursement of salary to the Military, result in their indignation and abuse towards their master and this will have no mean consequence."

The Mahabharata, referred to by Jawaharlal Nehru in his *Discovery of India* as "that colossal work, an encyclopaedia of tradition and legend, and of the political and social institutions of ancient India" contains the following verse:[2]

बलस्य परिमाणे च भक्तवेतनयोस्तथा ।
नकुलं व्यादिशद् राजा कर्मणां चान्ववेक्षणे ।।

"King Yudhistra ordered Nakula (his brother) to look after the Army's accounts, their duties, rations and remuneration."

This reveals the importance King Yudhistra attached to these matters.

One hears every now and then of delays in disbursements of salaries, provident fund moneys and pensions, etc. Administrative authorities as well as Accounts and Audit have their respective roles in the processing of such payments and the words of our ancients, which are equally applicable to disbursement of dues to non-military service personnel, could always be borne in mind with advantage.

Coming to a later period, the famous Arthasastra of Kautilya (321-296 BC) contained[3] detailed instructions in regard to all the problems referred to in the first paragraph. Kautilya also quotes the views of earlier authorities, the schools of Manu, Parasara, Brihaspati and Usanas along with his. He mentions Major and Minor heads of account of revenue and expenditure of government. On the revenue side the major heads of account were:

(1) Forts (Durga). Under this there were some 21 sub-heads such as tolls, octrois, fines, weights and measures, Mint, Taxes on houses and house sites, Excise from liquor, seals and passports and poll taxes on foreigners.

(2) Country Parts (Rashtra). This contained something like 14 sub-heads of which the important ones were produce of crown lands, land revenue taxes on rivers, ferries, boats, and road cess.

(3) Mines. This was more in the nature of a commercial head which brought into account the sales of metals like gold, silver and diamonds, from government mines. There were about 11 sub-heads here.

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[2] Mahabharata, *Shanti Parva,* Sarga 40.

[3] R. Shamasastry. *Kautilya's Arthasastra*, p. 58.

(4) Gardens. This head contained 5 sub-heads of which the more important ones were the sale of flowers, fruits, vegetables and other garden produce, of the national gardens and buildings.
(5) Forests. This contained 3 sub-heads, game, timber and elephants.
(6) Herds and cattle. This contained 8 sub-heads like cows, buffaloes, goats, sheep, horses, etc.
(7) Roads and traffic. There were 2 sub-heads land, and water ways.
(8) Extraordinary receipts. Unclaimed property, fines, compensations, escheats, treasure trove, presentations received by the King etc.

The heads of expenditure were broadly given under four categories, household expenses, war department expenses, commercial or profit-making concerns, and educational or entertainment expenses. The main heads under each were:

(1) Worship of gods and ancestors (2) Kitchen (3) Harem	House-hold expense.
(4) Armoury (5) Warehouse (6) Maintenance of infantry, cavalry, chariots, elephants.	War Department.
(7) Store-house (8) Manufactories (9) Maintenance of herds of cows	Commercial or Profit-making concerns.
(10) Museum of beasts, dear, birds and snakes.	Educational or Entertainment.

The account records showed, in the case of manufacturing operations, the usual cash expenditure and profit and loss account, but the financial sense of the time would also be judged from the fact that accounts of income accrued but not realised, as also the price of free labour employed in government factories, were kept, probably to know the true values of the manufacture. Similarly in the case of gems, for instance, the accounting records showed the rate of price, the rate of barter, the weights used in weighing the gems, their actual weights and cubical measure.

Kautilya also listed the various types of fabrications and falsifications of accounts that could take place and stated the punishments to be meted out in each case. Some of the fabrications which have a modern touch were also known. He pointed out, among other things, forty ways of embezzlements:

"What is realised earlier is entered later on; what is realised later is

entered earlier; what ought to be realised is not realised; what is hard to realise is shown as realised; what is collected is shown as not collected; what has not been collected is shown as collected; what is collected in part is entered as collected in full; what is collected in full is entered as collected in part; what is collected is of one sort, while what is entered is of another sort; what is realised from one source is shown as realised from another; what is payable is not paid; what is not payable is paid; not paid in time; paid untimely; small gifts made large gifts; large gifts made small gifts; what is gifted is of one sort while what is entered is of another; the real donee is one while the person entered (in the register) as donee is another; what has been taken into (the treasury) is removed while what has not been credited to it is shown as credited; raw materials that are not paid for are entered, while those that are paid for are not entered; an aggregate is scattered in pieces; scattered items are converted into an aggregate; commodities of greater value are bartered for those of small value; what is of smaller value is bartered for one of greater value; price of commodities enhanced; price of commodities lowered; number of nights increased; number of nights decreased; the year not in harmony with its months; the month not in harmony with its days; inconsistency in the transactions carried on with personal supervision (samagama-vishamah); misrepresentation of the source of income; inconsistency in giving charities; incongruity in representing the work turned out; inconsistency in dealing with fixed items; misrepresentation of test marks or the standard of fineness (of gold and silver); misrepresentation of prices of commodities; making use of false weights and measures; deception in counting articles; and making use of false cubic measures such as bhajana—these are the several ways of embezzlement.

"Under the above circumstances, the persons concerned, such as the treasurer (nidhayaka), the prescriber (nibandhaka), the receiver (pratigrahaka), the payer (dayaka), the person who caused the payment (dapaka), the ministerial servants to the officer (mantrivaiyavrtyakara shall each be separately examined. If any one of these tells a lie, he shall receive the same punishment as the chief officer (yukta) who committed the offence."

Accountants, according to Kautilya, were specially prone to making certain types of errors in writing up accounts and for these and for delays in submission of account, and for misdemeanours, he had prescribed elaborate punishment.

The system of account keeping was very elaborate, perhaps due to Kautilya's injunction, "All undertakings depend on finance. Hence foremost attention shall be paid to the Treasury."

In the Mauryan Policy, the final authority, in the matter of Finance was the King one of whose daily duties was to attend to the accounts of receipts and expenditure. Each Minister was responsible for the finance of his department and each department had its own accountant, treasurer and others. The Collector General was the head of the Finance Department. Below him was the special commissioner (Pradeshtara) who it is thought by Dr. M.H. Gopal[4] was a kind of Government Auditor checking District and Village group account in addition to being in charge of collecting certain kinds of revenue. The accounting and financial year closed on the last day of Ashadha.

Regarding Accounts and Audit in the Gupta period, Ramachandra Dikshitar[5] observes as follows:

> "It cannot be doubted for a moment that in such a great empire like that of the Guptas, accounts were kept in an orderly manner. The accounts were maintained as during the days of their predecessors the Mauryas and were submitted periodically for audit and approval. This is made clear to us by the term *Patyuparika*. This may be translated broadly as corresponding to the modern Accountant General. It also implies that there was an Accounts Department where records were kept for inspection and audit. The records dealt with various kinds of grants. The Accountant General who presided over the accounts department was responsible to the Council of Ministers for his acts. From the fact that the Accountant General is mentioned and from the fact that Gupta Government took the precaution of taxing the profit and not the capital, it is evident that there was an elaborate Department of Accounts in the Gupta times."

Dr. K.P. Jayaswal in his *Hindu Polity* while dealing with the coronation ceremony of the Brahmana period and its constitutional significance, states[6] that "Akshavapa" one of the High Ministers associated with the coronation ceremony as one of the king-makers (Rajakritis) was in charge of state Accounts and the "Akshapatala" was the Department of the Accountant General. Radhakumud Mukerji in his *Chandragupta Maurya and His Times* speaks[7] of the Accountant General "Akshapataladhyakasha", who like the

[4] M. H. Gopal, *Mauryan Public Finance*.

[5] Ramachandra Dikshitar, *Gupta Polity*.

[6] J. P. Jayaswal, *Hindu Polity*, p. 202.

[7] Radhakumud Mukerji, *Chandragupta Maurya and His Times*.

"samahasta" and "sannidhata" was another officer to control the Departments and District Officers. He controlled the Treasury and Accounts. This is how he describes the work of the Accountant General's Department:

"The Chief Accountants (Gananikyani gananah tatpradarsakah Adhyakshah) of different Departments are to come to headquarters to present their accounts in the month of Ashadha, the last month of the financial year.

"They are to assemble in one place in the Accountant General's office with sealed boxes containing their books of account (Samudra Pustabhanda) and the net balances of revenue. They are to remain in the hall without taking with one another (ekatrasambhashavardham Karayet). They are first orally to explain the accounts relating to receipts, expenditure, and the total of revenue (nivi) before the net revenue is received into the Treasury. The account orally given is compared with that written in the books. If the amount of income stated is less than the amount of the books, or if the stated amount of expenditure is less than the amount entered in the written account; or if the stated cash balance (nivi) is in excess of what is written; the Accountant in each case will have to pay eight times the amount of the difference as a penalty for false accounting. Conversely, if there is a difference between the Central Account books and those of the Districts as to the amounts of Income, Expenditure, and Cash Balance, the difference is not to be made good.

"The Chief Accountants who do not present themselves at headquarters in time (*i.e.*, in the month of Ashadha) with their books of account and cash balances of revenue will have to pay a penalty.

"Conversely, when they so present themselves (Karmike adhyakashe upasthite) but are not attended to by Accountants (Karanika gananadhikarita) of the Central Office, these are to be fined.

"The ministers in a body (samagrah Mahamatrah) are to bring together the Heads of Departments in the Districts in a meeting and explain to them the general revenue position of the Province with reference to revenue receipts, expenditure, and surplus (Pracharasamam Mahamatrah samagrah sravayeyuh avishamamatrah, pracharo janapadah janapadan sadasi melayitva bodhayeyuh ityarthah.) A minister keeping aloof or misrepresenting accounts is punishable.

"Accounts are to be posted daily (ahorupahara). The cash balance and daily account submitted by the Accountant are to be checked by the Chief Accountant who is to see how far they correspond to (1) religious

injunctions (dharma), (2) law (vyavahara), (3) Custom (Charita) (4) precedence (samsthana), (5) total of revenue receipts (sañkalanam sarvadhanikskara ganana), (6) the work accomplished (nirvartana), (7) estimate of revenue (anumana), and (8) report of informers on the revenue realised (charaprayoga).

"Abstracts of accounts shall be prepared (pratisamanayet) every 5 days, fortnight, month, four months, and per year.

"Failure on the part of a Karanika to enter revenue realised (Rajartha apratibadhnatah rajartham pustakeshu alikhatah) to follow instructions (ajnam pratishedhayato) or to write accounts of income and expenditure according to prescribed forms (nibandha) is punishable.

"Not writing accounts in the proper order (karmavah avalikhatah), writing accounts in inverted order (vitkramam avalikhtan) writing accounts in a manner not comprehensible (avijnatam avalkihutah veditum anarhaya ritya likhatah) or entering the same item again (punaruktam), all such wrong accounting (avalikhanam) will be punishable. Making wrong entries of cash balance (nivimavalikhato) embezzlement (bhakshayato) or causing loss of revenue (nasayatah) are punishable."

Medieval India

Under the Delhi Sultans the Finance Department was called the Vizarat.[8] The head of the Vizarat was Ashrafi Mumtakal, under him there were Mustavfis who dealt mainly with the control of income and expenditure, the Mushrif or the Chief Accounts Officer, who also exercised audit check of a fashion over income to see that all revenue due to Government was properly brought to account. Subsequently a new office called "Divan-i-Vaqoof" was created. This had a Nazir who was in charge of collection of revenue and a Vaqoof, who was the controller of expenditure. The Mustaufis gradually had less and less to do with control of income and expenditure and more and more of audit.

In the Moghul period,[9] the Vizarat or Finance Department had many sub-departments under it. The Vazir or the Dewan was the head of the finance department and also the chief executive officer of the king. Under him was the Mustaufi who functioned as auditor. The three main branches of the Vizarat were:

(1) Divan-i-Khalsa for crown lands,

[8] R. P. Tripathi, *Some Aspects of Muslim Administration*.

[9] Ibn Hasan, *The Central Structure of the Moghul Empire*.

(2) Divan-i-tan for salaries, and

(3) Mushrif or Chief Accountant's office.

The Military Accounts were separate from Civil Accounts and kept by the head of the Military Accounts Department, who was termed the Sahibi Taujih. This was a branch of the Vizarat. The system of double locks now in use in Treasuries was in vogue then also. In the pargana or the Sarkar Treasury, the khazandar was responsible for keeping the money under separate locks. One key was kept by the Amil or the District Collector of Taxes. Akbar introduced the system of budget which was six monthly. Akbar's system of financial administration lasted with a few modifications till the end of Aurangzeb's time.

When in the time of Sivaji there was a Hindu revival, the "Ashtapradhana" of Ministry of Eight based on the traditions of the Mahabharata and Sukraniti was founded. One of them was the Amatya and was to look after the account of Income and Expenditure. The Fadnis or Deputy. Auditor and Sabnis or Daftadar were under him.[10]

East India Company

When the East India Company was started as a trading corporation on December 31, 1600, its main purpose was commerce. It was five years before it set up trading stations in India and the early charters of the British Crown, and Parliament gave it powers to maintain law and order within the bounds of those stations. Later the Company began to acquire territories.

In 1639, the site of Fort St. George (Madras) was obtained by Francis Day. The English Factory was shifted to the new place in 1640 from Armagon. In 1641, the Fort was completed and named after the Patron Saint of England. This was the first proprietory British holding on Indian soil. The first agent to be designated Governor was appointed in 1666.

Job Charnok founded Calcutta in 1690. It was fortified in 1696 and named Fort William after William III. Its first President and Governor was appointed in 1700.

The Portugese ceded Bombay in 1661 as the dowry of his queen to Charles II. He rented it to the East Indian Company in 1668. In 1687, it became the headquarters of the Company in Western India.

The factory towns soon ceased to be mere factories. A Mayor's Court was established in each of the Presidency towns in 1726. The Court of Directors was empowered by the Charter dated the 8th January, 1753 to

[10] Surendra Nath Sen, *Administrative System of the Marathas.*

appoint an officer under the name of Accountant General of the Mayor's Court. He was, among other things, to carry into execution the orders of the Mayor's Court relating to the suitors moneys, effects and securities, and to keep the accounts thereof with the President and Council. He was to act under such rules, methods and directions as might be made by the Court of Directors from time to time, in accordance with the directions of the Charter. In a letter dated the 24th January, 1753 from the Court of Directors to the President and Council at Fort William, the power of appointing the Accountant General was delegated by the former to the latter. Accordingly at a consultation held at Fort William on the 20th September, 1753 Mr. Thomas Coales was appointed Accountant General of the Mayor's Court.

Thus prior to the Regulating Act of 1773, there were the three Presidencies of Fort William, Fort St. George and Bombay, governed by a President or Governor and Council. Each presidency had its own separate accounts establishment.

The Regulating Act of 1773 constituted for the first time a Supreme Government in India with a Governor General and four Councillors with controlling authority over the Presidencies of Fort St. George and Bombay and primary responsibility for the local administration of the Presidency of Fort William and the Company's territorial acquisitions in Bengal, Bihar and Orissa. Warren Hastings became Governor General. In the Central Secretariat of the Supreme Government the Audit and Accounts offices were under the General Department.[11] The executive functioning was vested in a Sub-Accountant (Accountant from early 1777) who discharged his obligations with the help of a few Indian Assistants. In July 1777 when William Larkins took charge of this Department he was nominated Accountant General. With increasing work in the course of the Maratha and Mysore wars a Sub-Accountant General and later a Deputy Accountant General were appointed to assist him in 1780 and 1783. The Military Accounts were under the Commissary General. The general responsibility was of the President and Council themselves. In March 1771, in pursuance of an Order from the Court of Directors, a Committee of Accounts was constituted and made responsible for all matters relating to accounts. It was, however abolished in November 1772 as it was felt that the accounts could not be understood or audited except by close investigation and wholly engaged attention of an individual. It was, therefore, decided that the accounts were to be inspected and audited by individual members of the Board of Inspection

[11] D. N. Banerji, *Early Administrative System of the East India Company in Bengal*, Vol. I, 1765-1774, p. 568.

(which consisted of the President and Council) in rotation. This, however, led to delay. The work was consequently consigned in 1784 to a Committee of Accounts consisting of six civil servants of the Company with a member of Council as Controller and with a Secretary, with powers to examine all estimates and audit and pass Civil and Military Accounts. This Committee was, however, abolished on the departure of Warren Hastings.

Pitt's India Act of 1784 established a Board of Control to enable the British Parliament to control the Indian Administration. Lord Cornwallis, who became Governor General in 1786, reconstituted the Department of Accounts on a permanent footing and regulations were made in 1788 for the conduct of its business. The Commissary General was nominated Military Auditor General. He was required to communicate with the Accountant General for a thorough scrutiny and investigation of military charges before these were finally passed and brought on to the General Books of the Presidency under the control of the Accountant General along with the accounts of the General, Revenue and Commercial Departments. This enabled the Accountant General to prepare annually within a limited time the annual accounts required to be transmitted to England to be placed before Parliament.

A new office of Civil Auditor was also established in 1788 for the audit of all Civil, Revenue, Commercial and Marine Accounts. From then the function of audit[12] acquired increased importance.

William Larkins was Accountant General till March 1793. He had a high reputation, got a salary equivalent to that of the Revenue Secretary and enhanced the prestige and influence of his department.[13] In 1829, the salary of the Accountant General was under the arrangements made by Lord William Bentinck raised to Rs. 52,200 per annum.

Under the Charter Act of 1833 the Company's commercial activities were altogether wound up and it became a purely political and administrative body. The Charter Act provided for a post of Governor General of India in place of the Governor General of Bengal and vested the Civil and Military administration of India and the sole power of Legislation in the Governor General in Council. He was also Governor of Bengal. This position continued till 1854, when the administration of Bengal was placed under a Lt. Governor. The Charter Act also provided for the creation of a new Presidency of Agra which was later constituted in a modified form as the North Western Provinces in 1835.

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[12] B. B. Misra, *The Central Administration of the East India Company: 1773-1834.*

[13] Bengal Revenue Consultation, dated the 17th February, 1829, No. 74.

In 1843,[14] the Finance Branch of the Public Department was converted into a separate Department in order to re-organise the system of financial administration to bring the finances of India more immediately under the control of the Government of India. The Finance Secretaryship was made a distinctive office unencumbered with the details of any other Department of the State. The Finance Secretary was charged with the sole and entire conduct of the operations of the Finance of India, comprehending therein the preparation of Estimates, the provision of Ways and Means, the terms and conditions of loans, temporary and permanent, the supervision and arrangements of the results of the accounts of the Presidencies of Bengal, Madras, Bombay and Agra and the management of the details of the financial operations of Bengal. With this view the officers of account in the respective Presidencies were directed to submit their accounts and returns that formerly used to be submitted to the Accountant General of the Presidency of Fort William, direct to the Financial Secretary to the Government of India.

The Financial Estimates and Returns for the Government of India and the Home authorities theretofore compiled in the Office of the Acountant General at Fort William were for the future to be prepared by the Financial Secretary to the Government of India. The Financial records and that portion of the Establishment of the Accountant General's Office, which had thereto been employed upon the Financial Returns, were to be immediately transferred to the Office of the Financial Secretary to the Government of India.

Every operation connected with the expenditure of the public money should come under the review of the Government of India through the medium of the Financial Secretary. It was, therefore, prescribed and directed that every order sanctioning Establishments of any kind or entailing expenditure and requiring a present or prospective issue of money should be transferred from the Department in which the measure was proposed, to be issued through the Financial Secretary, and the Audit Officers should require the sanction or an order of that Department before passing any bill or charge. The Deputy Governor of Bengal in like manner issued orders that the expenditure of every branch of the Public Service in Bengal should pass through the Department of the Financial Secretary.

The Financial Secretary as the confidential organ of the Government in all matters of Finance was made the President of the Mint Committee, a Government Director of the Bank of Bengal, of which the working returns were to be regularly submitted to him on behalf of the Government, and an

[14] Government of India, Finance Resolution, dated the 4th January, 1843.

honorary member of every Committee entrusted with the expenditure or control of the Public Funds : The Accountant General and Sub-Treasurer were also to be members of the Mint Committee, and of the Bank Direction.

Mr. T.A. Dorin was appointed to be Financial Secretary to the Government of India on a salary of Rs. 52,200 per annum. It was expected that the Accountant General being no longer required to conduct the financial duties of general control heretofore performed by him, would have more leisure to attend to the preparation and adjustment of the accounts of the several departments of his office, comprehending as theretofore the General Books, and the Receipts and Disbursements of Bengal. The President in Council observed that the valuable time of this important Officer had been too much occupied with the management of the principal of the Indian Funded Debt, and it was the intention to relieve him from the conduct of these details in future, and to confine his connection with this branch to a general superintendence.

The Accountant General's Office was made subordinate to the Department of the Financial Secretary to the Government of India, and that officer was at liberty to call for and have access to any document of Statement therefrom which he might require. He was given similar powers in respect to the offices of Audit, Military and Marine, as well as Civil.

On the occurrence of a vacancy, the salary of the Accountant General, in consequence of the reduction of his responsibilities was to be reduced from Rs. 52,200 per annum to Rs. 42,000 per annum.

The salary of the office of Civil Auditor, India and Bengal was also reduced to Rs. 30,000 per annum. The appointment was formerly held jointly by the officer performing the duties of Accountant to the Revenue Department and though the separation was made in 1788 on the sound principle of constituting Audit a check over Account, it was considered that labour might be saved and more correct returns afforded to the Government by a freer communication than appeared to have obtained since their separation, between the officers of Account and Audit.

The Government of India, taking advantage of the resignation of the East India Company's services by the then Accountant General, Mr. Morley sanctioned in 1846[15] the following arrangement, to carry into more complete effect the provisions of the Government Resolution of the 4th January, 1843 referred to in the preceding paragraphs, modified to such an extent as the experience of the past three years seemed to justify.

(1) The substantive office of the Accountant General of the Bengal Presidency was abolished. The Secretary to the Government of India in the

[15] Government of India, Finance Resolution, dated the 27th March, 1846.

Financial Department was constituted *ex officio* Accountant General of India with power to supervise and examine the India Account and exercise complete control over loan operation.

(2) The duties performed by the Accountant General of the Bengal Presidency were entrusted to an officer to be styled Accountant to the Government of Bengal who was made *ex officio* Deputy Accountant General and Accountant in the Military Department so as to exonerate the Financial Secretary in his capacity of Accountant General of India from that portion of executive duty which consisted of communications with Civil and Military officers respecting accounts, certificated local.

(3) The salary of the Accountant to the Government of Bengal was fixed at Rs. 36,000 per annum, the same as that of the Sub-Treasurer.

(4) The branches of public accounts that could be conveniently classified as under the control of the Government of Bengal were specified and the distribution of duty between the Financial Department and the Bengal Office of Account laid down.

It has been stated in Chapter II how in 1843 Lord Ellenborough's Government suggested that all Departments of Accounts at the various Presidencies should be amalgamated into one General Department of Account and it was objected to by the Court of Directors in London but when Lord Cornwallis revived the proposal in 1856 it was approved. The General Department of Account as so approved and constituted with effect from the 1st May, 1858 comprised the following Officers of Account of the Civil Departments under the Government of India and the Governments of Bengal, Bombay, Madras, North Western Province and the Punjab.[16]

GOVERNMENT OF INDIA AND BENGAL

	Monthly Salary *Rs.*
Accountant General to the Government of India	3500
Sub-Treasurer, Fort William	3000
Accountant to the Government of Bengal	3000
Civil Auditor for India and Bengal	2500
1st Assistant Accountant General to the Government of India	1500
2nd Assistant Accountant General to the Government of India	1000
3rd Assistant Accountant General to the Government of India uncovenanted)	800

[16] Government of India, Financial Consultation Resolution No. 5126, dated the 4th December, 1857.

	Monthly Salary *Rs.*
Assistant Sub-Treasurer, Fort William (uncovenanted)	700
Assistant Civil Auditor, Fort William (uncovenanted)	700

BOMBAY

Accountant General to the Government of Bombay	3000
Sub-Treasurer, Bombay	2000
Civil Auditor at Bombay	2000
1st Assistant Accountant General	1200
2nd Assistant Accountant General	800

MADRAS

Accountant General to the Government of Madras	3000
Sub-Treasurer, Madras	2000
Civil Auditor at Madras	2000
1st Assistant Accountant General	1500
2nd Assistant Accountant General	800

NORTH WESTERN PROVINCE

Accountant General to the Government of North Western Province	2500
Civil Auditor in the North Western Province	2000

PUNJAB

Accountant in the Punjab	1500
Civil Auditor in the Punjab	1200

While the Civil Auditors audited civil charges and contingencies, the arrangements for audit of other departments were as below:[17]

Military pay and contingencies ordnance.	—	By the Military Auditor General.
Commisariat	—	Commisariat Auditor.
Marine	—	Superintendent of Marine.
Public Works	—	Controller and Auditor.

[17] Para 57 of the Report of the Audit and Budget Committee No. 1, dated the 30th July, 1860.

Clothing	—	Superintendent of clothing.
Stationery	—	Superintendent of stationery.
Medical	—	Director General, Medical Department.
Telegraph and Post Office Departments	—	Partly by the Civil Auditor and partly by the Superintendent of Telegraphs and the Post Master General or Director General of Post Offices.

The Audit Departments were furnished with the orders of the Supreme Government for charges as they arose, and although payment might have been made on the sanction of Local Government, the authority of the Supreme Government was required, before the disbursing officers could be relieved from responsibility by the Audit Department. The Auditor determined whether the authority for a payment was sufficient and whether a bill was accompanied by the necessary certificates and declarations. In the civil branches, bills were generally audited before payment and the disbursing officer was relieved at once of this responsibility. In the Military Branch, the audit was for the most part, after payment, but the disbursing officer was allowed to charge the sums in account, all unauthorised payments (*i.e.*, payments not sanctioned by the Supreme Government or not properly vouched) being retrenched by the Audit Department, and brought to credit by the disbursing officer.

At the end of each month, the accounts of several disbursing officers were made up, and submitted for examination to the local Accountants, who ascertained that the debits and credits were correct and properly vouched.

When the accounts of a year had been received, an annual return was made to Government of all receipts and disbursements during the year, including payments for which audits had been obtained and payments for which disbursing officers were still held responsible. The general books exhibited the whole of the financial operations of the Government, the distinguishing characteristic of this account being, that no public charge could be audited, unless supported by the established audit, or the direct authority of the Government, as in the case of sums written off to profit and loss. The final return was an annual comparative Report, showing the result of the actual, as compared with the estimated disbursements, and in which the excesses or deficiency under each head was exhibited, and the differences traced to their origin and explained.

This was the position of the Audit and Accounts Departments about the time the British Crown took over the Government of India. The subsequent history of Audit and Accounts in the Civil and other Departments is dealt

with in separate sections in this chapter.

(A) Civil Audit and Accounts

Pre-statutory period from 1858 to the Government of India Act, 1919

When tracing the genesis of the office of Comptroller and Auditor General (Chapter II) reference was made to the appointment in 1860 of the Accountant General to the Government of India as Auditor General and the creation of a Board of Audit. To enable the Accountant General as Auditor General to undertake appropriation audit, he was relieved of the examination of accounts of the outlying provinces; the nearest local Auditor was entrusted with the same. Thus the accounts of the Hyderabad Assigned Districts went to the Accountant General, Madras, those of Nagpur to Bombay, those of Pegu, Tenasserim and the Martaban Provinces to the Auditor for Bengal, those of Oudh and the Political Agencies in Central India, except Indore (which went to Bombay) to the Auditor, North Western Provinces. Under the arrangements introduced in 1860, disbursement and accounts were under two distinct classes of officers and the Civil Auditors became Pay Masters to their respective local Governments and subordinate to the Financial Department of the Supreme Government. This arrangement was shortlived.

The Commissioners of Enquiry into Indian Accounts in their Report of the 7th September, 1864 recommended, among other things, the abolition of pre-audit by the Pay Master before payment at the District Treasury. This sometimes caused great delay as the pre-audit office was far away from the disbursing officer and transit time was long. When charges were already known to the disbursing officer which was especially true of recurring charges like establishment bills, which formed a good portion of the expenditure of Government, this pre-audit was considered plain waste of time. Besides the pre-audit by the Pay Master was subject to reversal in post-audit by the Deputy Auditor and Accountant General. Pre-audit also tended to make disbursing officers reckless and lax in their claims. They could include irregular charges in their bills on the off chance that the Pay Master would not detect them. If the bill was passed in full, they had gotten away; if the amounts were retrenched they were none the worse off. The Commissioners argued that the responsibility for wrong payments should be thrown squarely on the disbursing officer so that he either suffered some pecuniary loss or at least got discredited so that he would be more likely to exercise his power with care.

The Commissioners recommended that the responsibility for proper

payment should be shared by three officers in varying degrees, a system that has practically come down to the present time. The drawing officer would be primarily responsible for mischarges. The bills would be countersigned in specified cases by a higher officer called controlling officer, who would only be personally liable for losses arising out of culpable negligence. The Treasury Officer would be responsible for such palpable errors as could be checked at first sight without reference to budget documents or detailed rules. His checks would include arithmatical correctness of totals in the bills, verification of the drawer's signature, and check of officer's salaries against the authority sanctioning the pay.

One of the results of the acceptance of the recommendations was the amalgamation of the offices of the Deputy Auditor and Accountant General and the Civil Pay Master in 1865. In Presidency towns where Treasury functions were discharged by Government Banks, *i.e.*, Calcutta, Madras and Bombay, Examiners of claims were appointed. These posts were later abolished in 1871 and the duties merged in those of the office of the Accountant General.

The administration of Mysore was sequestered in 1831 by Lord William Bentinck owing to the misgovernment of the Raja, and British officials administered the State for fifty years till 1881, when the State was restored by Lord Ripon to the Raja's adopted son when the latter came of age. As a consequence, from the 25th March, 1881, the appointment of Comptroller, Mysore till then held by an officer in Class IV of Enrolled officers of the Financial Department was abolished.[18]

Punjab which was a Chief Commissionership since 1853 became a Lt. Governorship in 1859. In 1861, Central Provinces were constituted into a Chief Commissionership and an office of the Deputy Auditor and Accountant General, Central Provinces at Nagpur and a similar office for Hyderabad were created in 1862. The status of the former officer was changed to Comptrollership in 1887 and raised to Accountant Generalship in 1919. In 1903, in consequence of the transfer from the 1st October of the Administration of the Hyderabad Assigned Districts otherwise known as Berar to the Chief Commissioner of the Central Provinces, the Civil Account Office of the Comptroller, Hyderabad at Bolarum was merged with that of the Comptroller, Central Provinces, Nagpur.

Burma became a Chief Commissionership in 1862 and a Lt. Governorship in 1897. Before 1862 it was under the Bengal Audit Offices.

[18] Government of India, Finance Department Resolution No. 1454, dated the 30th March, 1881.

Thereafter[19] it was a separate Accountant Generalship for sometime but not in the senior posts reserved for the Civil Service and later a Comptrollership from 1887 till 1898, when the status of the Accounts and Audit head was raised to Accountant General.

The North Western Province was under a Lieutenant Governor since 1845. In 1877, Oudh which was under a Chief Commissioner came under the Lieutenant Governor, North Western Province. It was already under the Auditor in the North West Province. In 1902,[20] the North West Province was styled "the United Provinces of Agra and Oudh" to distinguish it from the North Western Frontier Province created in 1901.

Till 1874 Bengal, Bihar, Orissa and Assam remained connected under a Lieutenant Governor. Assam was constituted into a Chief Commissionership in 1874. A Comptrollership for Audit and Accounts was created following this. In 1905, under Lord Curzon's partition of Bengal, which aroused considerable resentment, Eastern Bengal and Assam became a separate Lieutenant Governorship, Western Bengal, Bihar and Orissa having another Lieutenant Governor. The Accountant General's office, Bengal and the office of the Comptroller, Assam were reconstituted into two separate Accountant Generalships, Dacca being the Headquarters for the Accountant General, Eastern Bengal and Assam. In 1912[21] the partition of Bengal was reversed. Bengal was made a Governor's Province. Bihar, Chota Nagpur and Orissa were placed under a Lt. Governor. Assam resumed the position of a Chief Commissionership till it became a Governor's province under the Government of India Act, 1919. The offices of Account and Audit in the three provinces were reconstituted accordingly, Assam becoming a Comptrollership, the other two provinces having Accountants General.

In 1901, the North West Frontier Province was created but continued to be under the audit jurisdiction of the Accountant General, Punjab. This position continued till the Experiments on Separation of Accounts from Audit (1924-31).

In 1901 again was constituted a Press Audit Department under an Examiner of Press Accounts.

The year 1910 saw very important developments in the Department. Public Works and Railway Accounts which were under the Accountant

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[19] Government of India, Finance Department Resolution No. 1406, dated the 28th February, 1862.

[20] Government of India, Home Department, Public Proclamation No. 996, dated the 22nd March, 1902.

[21] Government of India, Finance Department Resolution No. 531 F.E., dated the 19th August, 1912.

General, Public Works, were transferred to the Comptroller General. The post of Accountant General, Public Works which was under the Public Works Department of the Government of India was abolished from the 1st April, 1910 and the post of Accountant General, Railways under the Comptroller General created from the same date. In the same year Postal and Telegraphs Accounts were amalgamated and placed under the Accountant General. Posts and Telegraphs by the creation of a new post, under the Comptroller General, with effect from the 1st April, 1910. The history of these branches of accounts and audit has been dealt with under separate headings in this Chapter.

In 1912, the Secretary of State approved of the constitution of a Customs Audit Department and the arrangements came into force in 1913.

Position in 1919

Thus just before the coming into force of the Government of India Act, 1919 there were the following civil offices of Accounts and Audit in the Provinces :

Offices of the Accountant General, Bengal, Madras, Bombay, United Provinces, the Punjab, Bihar and Orissa, Central Provinces and Burma and office of the Comptroller, Assam.

It has been stated in Chapter II how with the approval of the Secretary of State obtained in 1882 some of the functions exercised by the Comptroller General were, to give him relief, entrusted to a new officer under him named the Comptroller, India Treasuries. This office was upgraded and styled Accountant General, Central Revenues in 1919. There were in addition in the category of civil offices of Accounts and Audit the Examiners of Customs Accounts and Press Accounts. The history of these offices is however, dealt with in separate headings for the sake of conveniences. Forest Accounts have also been similarly dealt with.

The six Chief Commissionerships were under the audit of the officers noted against them.

North Western Frontier Province ..	Accountant General, Punjab
British Baluchistan	Central Revenues
Delhi	Central Revenues
Ajmer-Merwara	Central Revenues
Coorg	Madras
Andaman and Nicobar Islands ..	Central Revenues.

From the Reforms of 1919 to those of 1935

The outstanding events in the Department during the period from 1919 to 1935 were the issue of the Auditor General's Rules by the Secretary of State in Council, the creation of a number of new Civil and other offices of Account and Audit, the experiment in separation of Accounts and Audit, the establishment of the Commercial Audit and Defence Audit Departments under the Auditor General and the depression of the thirties and drastic measures adopted in consequence thereof.

Auditor General's Rules

Reference has already been made in Chapter II to Section 96D(1) of the Government of India Act, 1919 and the Statutory Rules made by the Secretary of State in Council thereunder and how the responsibilities and status of audit increased under the Reforms scheme. The Auditor General's Rules were first made by the Secretary of State in Council on the 4th January, 1921[22] and laid down the conditions of employment of the Auditor General, his duties and powers as regards Audit and Accounts as also his administrative powers. The above rules with amendments made to them from time to time were superseded by a fresh set of rules made by the Secretary of State in Council on the 13th April, 1926[23] which had effect from the 4th January, 1921, *i.e.*, the same date as the earlier rules. The contents of these rules with their amendments have been referred to in the appropriate chapters.

New Offices

The First World War brought home to the Government of India the need for a clearly laid down industrial policy for the country. This led to the appointment of an Industrial Commission in 1916, with Sir Thomas Holland as the President. One of the Commission's recommendations was the creation of an organisation for the purchase and inspection of stores in India. Even while the Commission was still investigating, as a result of an enquiry started by the Commander-in-Chief regarding development of Indian resources for the purposes of the War for giving all possible relief to the United Kingdom in meeting extraneous demands and for preventing competition and overlapping in the purchase of supplies, the Indian

[22] Gazette of India, 1921, Part I, p. 146.
[23] Gazette of India, 1926, Part I, p. 1174.

Munitions Board was established on the 1st April, 1917 under the immediate charge of the Army Member. The working of this Board naturally influenced the Commission in making its recommendation. As a result thereof, active participation by Government in industrial development was accepted by Government as one of its legitimate functions. After the Armistice, pending amendment to the Government of India Act to provide for an additional member to the Viceroy's Council for Central Department of Industries, the Board of Industries and Munitions was formed replacing the Indian Munitions Board and was placed through its President under the Viceroy. At the end of 1919 a Stores Purchase Committee was appointed with Sir Francis Couchman as President to report on what measures were required to enable the Departments of the Government of India and of Local Governments to obtain their requirements so far as possible in India, and what Central and Local Agencies for purchase and inspection should be constituted. On its recommendation the Indian Stores Department was constituted on the 1st January, 1922.

A separate Audit office was also set up under a Class II officer of the Indian Audit and Accounts Service who was granted a special pay of Rs. 200 a month. The Audit officer was responsible for audit of purchase orders, for pre-audit and payment from his Headquarters of bills for cost of stores supplied through the agency of the Indian Stores Department transferring debits to the Departments concerned, for payment of all departmental salary and other bills, for all accounting work connected with the above duties, and for assisting the Chief Controller of Stores, Indian Stores Department in the preparation of his annual budget estimates. He also dealt with the accounts of the Northern India Salt Revenue Department.

On the 1st May, 1918, a Directorate of Contracts was created in the Army Headquarters for Central purchase of foodstuffs, forage, firewood and miscellaneous stores. On the abolition of the Indian Munitions Board several other items were taken over by it. The Disposals Organisation formed in 1926 was part of it. The Military Accounts Department dealt with the Directorate's payments and accounts.

The transfer of the Indian Stores Department and the Contracts Directorate to the Department of Supply during World War II is dealt with later.

In 1925, an Audit office for the Sukkur Barrage Scheme under a Class I officer was constituted as a combined Account and Audit office. Later, as Audit Officer, Lloyd Barrage and Canals Construction, the post was graded as Accountant General till 1932, when as one of the several economy

measures, it was again reduced to Class I. The Office came to an end on the constitution of Sind as a separate province in 1936 with a separate Comptroller's office for it.

In 1925, a Director of Commercial Audit and a Director of Army Audit were appointed. Further details are given in the respective sections relating to these branches in this Chapter. An Audit office for the Cauvery Metur Project was established in 1927 and functioned till 1934 as a combined Account and Audit office.

Experiment in Separation of Accounts and Audit 1924-31

The separation of Accounts and Audit in the Railways is dealt with in a separate section in this Chapter relating to Railway Accounts and Audit and that in Civil in Chapter XVIII.

The North Western Frontier Province became a Governor's province in 1932. When the experiment in separation of Accounts and Audit was given up, from out of the Pay and Accounts office that had been formed for the North Western Frontier Province from the 1st April, 1929 was constituted the office of the Comptroller, North Western Frontier Province, Peshawar in 1931.

Financial Depression 1930-32

The Government of India appointed a Retrenchment Committee and one of its sub-committees looked into the possible economies in the Indian Audit and Accounts Department. The Auditor General also himself made several recommendations in 1931-32 to the Government in the interests of economy, after a review of all the work of the Department, which were eventually accepted by them. The measures adopted broadly included the curtailment or abolition of audit processes, replacement of a more expensive by a less expensive agency for accounting and audit, reduction of some of the existing scales of emoluments and amenities to staff, and reduction of miscellaneous expenses. In these processes local inspections were suspended or curtailed to some extent, some posts down graded or abolished, touring reduced, contingent expenditure cut down, some scales of pay or special pay reduced and so on. The whole of the Commercial Audit Branch was decentralised and the work entrusted to Civil Audit offices. The same thing happened to the separate offices of Examiners of Press and Customs Accounts. The scheme of separation of Accounts and Audit in Civil Departments was wound up. The quantum of audit of various

categories of expenditure was reduced progressively. Leave reserve of the Indian Audit and Accounts Service was reduced. The savings effected on measures that could be evaluated worked up to 6.21 lakhs of rupees in a total budget of approximately one crore of rupees. Slightly less than half the amount was found by curtailing local inspections. Nine posts of accountants and clerks, and twenty-eight posts of the lowest class were abolished to produce a saving of 2.5 lakhs of rupees. Recruitment to the Indian Audit and Accounts Service was stopped during 1932 to 1934 and only one recruit was taken each year in 1935 and 1936. These measures naturally affected the efficient working of the Department.

From 1935 to Independence

Provinces under the 1935 Act : The Government of India Act, 1935 provided for the separation of Burma from India and the creation of two new Provinces of Sind and Orissa.

The separation of Burma was effected from the 1st April, 1937. The creation of a Burma deputation reserve in the Indian Audit and Accounts Service to help Burma in the initial years in manning her Audit and Accounts Offices is dealt with in Chapter XII. Since 1912 the Deputy Accountant General, Posts and Telegraphs, Madras had the audit of the Burma circle under him. On separation his staff had to be divided between India and Burma.

Two Orders in Council[24] of His Majesty, *viz.*, the Government of India (Constitution of Orissa) Order and the Government of India (Constitution of Sind) Order both issued on the 3rd March, 1936 brought into existence the two new Provinces of Orissa and Sind from the 1st April, 1936. The former was formed out of areas that were previously part of the Provinces of Bihar and Orissa, Madras and Central Provinces. A new Audit and Accounts office under a Comptroller was formed from that date and continued for a long period to be located at Ranchi. Sind was formed out of what was formerly the Division of Sind in the Province of Bombay. The office of the Comptroller, Sind was formed absorbing in it the office of the Audit Officer, Lloyd Barrage and Canals Construction. By the Aden Colony Order, 1936 issued by His Majesty in Council under Section 285 of the Government of India Act, 1935, Aden ceased to be a part of British

[24] Government of India, Finance Department No. F. 17(II) EXI/35, dated the 9th December, 1935 and No. D-870-Ref., dated the 2nd April, 1936.

India from the 1st April, 1937 and passed out of the Audit jurisdiction of the Accountant General, Bombay.

Supply Accounts Organisation : On the eve of World War II stores purchases of Government were handled by the Indian Stores Department and the Directorate of Contracts. Their origin has been dealt with earlier. In August 1939, the Audit Officer, Indian Stores Department was designated Chief Auditor, Indian Stores Department. The Supply Department was created in September 1939 and the Chief Auditor became its Accounts and Audit Officer. As his Supply Accounts and Audit work expanded the audit of the Northern Indian Salt Revenue Department was transferred to the Accountant General, Central Revenues from the 1st August, 1940. The Office of the Chief Auditor, Indian Stores Department, was transferred to the Military Accounts Department with effect from the 1st September, 1940. His designation was from the same date changed to Controller of Supply Accounts. For the accounting and audit of Civil transactions, the Controller of Supply Accounts continued to be a Civil Accounts and Audit Officer. He was in fact a Controller of Supply Accounts (Defence) and a Controller of Supply Accounts (Civil) having two sets of accounts, one for Defence transactions and thus had exchange accounts with himself in his dual capacity. In the former capacity he was made *ex officio* Joint Military Accountant General and the transactions were subject to the audit of the Director, War and Supply. In the latter capacity he functioned like any Civil Accountant General as a statutory Audit Officer under the Auditor General. From October[25] 1940 the auditing and accounting work of the Supply Department that had been created in September 1939 was transferred from the Accountant General, Central Revenues to the Controller of Supply Accounts (Civil).

A branch office at Calcutta was formed under a Deputy Controller with effect from the 2nd January, 1941 to deal with payment and accounting of purchases of Stores handled by the Directorate General of Munitions Production, Calcutta. The Head Office at Delhi continued to deal with the Main Secretariat and the Director General, Supply, at Delhi.

In August 1942, the Controller of Supply Accounts was designated as Chief Controller of Supply Accounts and the Deputy Controller at Calcutta as Controller.

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[25] Government of India, Military Finance Department No. 1672-E, dated the 12th August, 1940.

In October 1942, a branch office under a Controller was formed in Bombay. It dealt with payments against contracts by the Controllers of Supplies, Bombay and Madras and the Deputy Director General, Cotton Textiles Directorate, Bombay. Later the payment of pay and allowances of the staff of the Directorate General of Ship-construction and Ship-repairs and of bills for special works for expansion of ship repairing facilities was added on. The payment of ship repair bills went back to the Controller of Naval Accounts in February 1946.

From the 1st March, 1943[26] a separate office for Food Accounts was set up under a Controller in Class I of the Indian Audit and Accounts Service to deal with transactions relating to the newly created Department of Food. He was directly subordinate to the Auditor General.

In June 1944, the Colliery Accounts Office who had been functioning since March 1926 under the Accountant General, Railways, was designated Controller of Coal Accounts and placed under the Chief Controller of Supply Accounts and functioned as a Railway Accounts Officer in respect of Railway Collieries and a Civil Accounts Officer in other respects.[27] This followed the transfer of Collieries to the Department of Supply.

Another event in June 1944 was that the Chief Controller of Supply Accounts was relieved of the direct charge of the Supply Accounts Office at Delhi and a separate Controller was appointed to it as in Calcutta and Bombay.

An organisation to deal with the accounts of America Lease Lend Stores was set up under the Chief Accounts Officer[28] (American Purchase) in 1941. It was treated as a departmental accounts organisation till the 1st April, 1944, when it became a regular Civil and Defence Accounts Office. It was finally merged with the Supply Accounts Organisation from the 18th September, 1946.

The Supply Accounts Organisation consisting of the Offices of the Chief Controller of Supply Accounts and Controllers of Supply Accounts, Delhi, Calcutta and Bombay was transferred back to the Indian Audit Department with effect from the 1st April, 1947. The Chief Controller of Supply Accounts was designated as Accountant General, Food, Industries and Supplies and the Controllers as Deputy Accountant Generals, Industries

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[26] Government of India, Finance Department No. F. 14(6)EXII, dated the 23rd March, 1943.

[27] Government of India, Finance Department (Supply) No. 58(2)/5518 SF, dated the 8th August, 1944.

[28] Government of India, Finance Department No F. 19(30)/3421-SF, dated the 31st August, 1942.

and Supplies. The Accountant General continued to function as an Audit Officer in respect of Defence transactions arising in his organisation till the 31st May, 1949 after which date the Controllers of Military Accounts were made responsible for the accounting and audit of such transactions, on their receipt through the exchange accounts under the usual procedure. The Office of the Controller of Food Accounts was brought under the administrative control of the Accountant General, Food, Industries and Supplies from the 1st April, 1947.[29] The control of Coal Accounts was also transferred to the Indian Audit Department and the Controller began to function as a combined Audit and Accounts Officer under the Director of Railway Audit with effect from the 1st April, 1947.

The designation Accountant General, Food, Industries and Supplies was changed to Accountant General, Food, Relief and Supply and again to Food, Rehabilitation and Supply.[30]

Government of India (Audit and Accounts) Order, 1936: It has been stated earlier that the Government of India Act, 1935 still further raised the status of the Auditor General. Rules were made by His Majesty in Council on the 18th December, 1936 laying down the conditions of service of the Auditor General and his duties and powers in relation to the accounts of the Federation and the Provinces and the duties of the Auditor, Indian Home Accounts. The administrative powers of the Auditor General were left to be regulated by delegations from the Government of India. The importance of this Order even after the coming into force of the Constitution from the 26th January, 1950 has been described in Chapter I.

From the Independence Act, 1947 to the Constitution, 1950

Partition of India and Independence: On the 18th July, 1947 the British Parliament legislated for the last time on India. The Indian Independence Act set up in India as from the 15th August, 1947 two independent Dominions, to be known respectively as India and Pakistan. East Bengal (including in it a part of Assam), West Punjab, Sind, North West Frontier Province and British Baluchistan got separated from India to form Pakistan. The Act gave legislative supremacy to each Dominion to adopt its own Constitution. It abolished the office of the Secretary of State for India and the supremacy of the crown over Indian affairs including the Indian States.

[29] Government of India, Finance Department No. F 2(I)-E11/47, dated the 12th March, 1947.

[30] Government of India, Finance Department No. D 3930-B.I/49, dated the 5th July, 1949.

Atlee described these measures as "not the abdication but the fulfilment of Britain's mission in India a sign of the strength and vitality of the British Commonwealth.

As stated in Chapter II the Auditor of Indian Home Accounts came under the administrative control of the Auditor General of India.

Administrative preparations for the partition started in late February that year, when the British Government made its statement in Parliament on the 20th February declaring that British rule in India would in any case end by June 1948, and gathered momentum after Lord Mountbatten's announcement on the 3rd June of the plan for transfer of power in 1947.

Administrative Arrangements: A Partition Council was set up with the Viceroy as President, consisting of Sardar Patel, Dr. Rajendra Prasad, Shri C. Rajagopalachari on the Congress side and Messrs. Jinnah, Liaquat Ali Khan and Sardar Nishtar for the Muslim League. Steering and expert committees composed equally of Hindus and Muslims were set up to attend to administrative problems connected with partition. There was an Arbitral Tribunal made up of a Hindu and a Muslim Judge and presided by the British Chief Justice of India to decide upon disagreements. Each department of the Central Government was divided into an India and Pakistan branch. They dealt with matters pertaining exclusively to their future dominions. Subjects of common interest had to be decided jointly, disagreements being resolved first by the Council, and later by the Tribunal.

A Joint Defence Council consisting of the Governors General and Defence Ministers of the two Dominions and the Commander-in-Chief in India was made responsible for defence matters as the armed forces could not be reconstituted at once. The Joint Defence Council was dissolved when the services were allocated to both the Dominions.

In each office affected, the senior most officer opting for Pakistan was made Officer on Special Duty for partition. He was responsible for dividing the records and furniture, copying documents which could not be taken, and for other administrative work connected with shifting to the new Country. Persons opting for Pakistan were placed under him and given training in branches of work in which Pakistan offices would not have sufficiently experienced people. These arrangements were to be completed ten days before the new office shifted. The East Bengal office moved to its headquarters in Dacca in the last week of July. Since the Comptroller, Assam at Shillong, had no officer of sufficient standing opting for Pakistan, an S.A.S. accountant was, as superintendent on special duty, responsible for

transfer arrangements.

On the 24th June, 1947, the Auditor General requested his officers to prepare lists of files of exclusive interest to Pakistan, of exclusive interest to India and of common interest.

The furniture of the combined Government of India had to be divided equitably between the future Governments of India and Pakistan. In the audit offices affected by Partition a list of furniture was prepared by one Hindu and one Muslim member of the staff and certified as "approximately correct" by the Public Works Department.

For Delhi offices eighty per cent of the furniture meant for Gazetted Officers and seventy-five per cent of the furniture meant for non-gazetted staff who opted for Pakistan was made over. Twenty per cent of the other equipment like calculating machines, duplicators and typewriters were given to Pakistan. Offices outside Delhi followed a fifty fifty basis. In some places like the headquarters office of the North Western Railway, the major proportion of the staff had opted for India and the percentages for distribution of furniture had to be worked out specially.

Division of Personnel: Each Government servant was allowed to select the Government he wished to serve. A provisional choice could be confirmed after six months. Some large organisations like the Railways, Audit and Accounts Department, or the Posts and Telegraphs could not transfer all the persons opting for the other dominion without dislocating their work. They were allowed to retain essential personnel already in their territory up till the 15th October, 1947 in the first instance, and till the 31st March, 1948, later, with the permission of the Government to which the employees had opted. The arrangement was called "Standstill Agreement".

Both Governments guaranteed[31] the existing conditions of service for each member but the physical work in finding out the options of all Government servants was stupendous especially as it was undertaken after the 18th June, 1947 and only less than two months before partition. To save paper work options of only persons going to Pakistan were called for in audit offices like those in Madras where most people would elect for India. About 30 officers of the Indian Audit and Accounts Service out of a total strength of 140 opted for Pakistan. One of them (Mr. Ghulam Muhammad) later became the Governor General of Pakistan and another (Mr. Mohammad Ali) its Prime Minister.

Division of Audit and Accounts Offices: Sir Bertie Staig, Auditor General of undivided India was appointed the new Indian Auditor General for one year, while Mr. Yakub Shah, an Additional Secretary

[31] Government of India, Partition Proceedings, Vol. I.

in the combined Finance Department, became his counterpart in Karachi.

The Department was divided up as follows: Those offices like the Comptrollers, North West Frontier Province, and Sind or the Accountants General, which did work which after partition would pertain exclusively to one of the new dominions, were placed as a complete unit in India or Pakistan as the case may be. The offices of those Provincial Accountants General like those at Calcutta and Lahore, and Central Government Accounts/Audit Officers, like the Accountants General, Posts and Telegraphs, or the Accountant General, Central Revenues, Director of Railway Audit or Director of Audit, Defence Services who had before partition jurisdiction over territories of both dominions were divided up.

The provinces in India after Partition were Assam, Bihar, Bombay, the Central Provinces and Berar, Madras, Orissa, East Punjab, the United Provinces and West Bengal. The Civil Offices of Audit and Accounts for Assam and Orissa were under Comptrollers and the others under Accountants General. In respect of East Punjab[32] it was sanctioned as an Accountant Generalship in the first instance up to the 31st March, 1948 and was thereafter, to be converted to Comptrollership. It was, however, exchanged from the 1st April,[33] 1948 with the post of Chief Auditor, GIP and BB &CI Railway in Accountant General's rank. From the 1st March,[34] 1949 it was made a regular Accountant Generalship.

Oath of Allegiance : On the first working day after the 14th August, 1947, all Government employees had to take an oath of allegiance to the Indian Dominion. The head of each audit office took the oath in the presence of his Gazetted Officers and then administered it to those officers. They in turn administered the oath to the staff members in their sections. This seemingly simple matter was complete only in May 1948.

Repairing War-damages

On the 15th August, 1948 for the first time an Indian became the permanent Auditor General of India, from the Indian Audit and Accounts Service, Shri Vyakarana Narahari Rao.

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[32] Government of India, Ministry of Finance letter No. F2(81)-E.II/47, dated the 26th August, 1947.

[33] Government of India, Ministry of Finance letter No. F4(2)-E.II/48, dated the 11th March, 1948.

[34] Government of India, Ministry of Finance letter No. F-2(3)-E.II/49, dated the 11th March, 1949.

The Auditor General's first concern was to try to repair the damage suffered by the Indian Audit and Accounts Department during the war years, or rather from the time the retrenchment started in the early thirties. He collected data and discussed with senior officers how the efficiency of the department could be improved. His basic thesis was that the quality of staff had been badly diluted in audit offices due to loaning of people for war work and that facilities and working conditions had become, because of wartime restrictions, inadequate for satisfactory work output. Less than six months after becoming Auditor General he convinced the Economy Committee of the Government that increasing expenditure on Audit would ultimately save money. He told the Committee in his concluding remarks as follows :

> "I am sure I shall not be accused of giving the Committee a stone when it is asking for bread. The case of the Indian Audit Department is really comparable to a blood donor who has too generously and even recklessly donated blood with the result that he is in dire need of being strengthened and supported in every way. The Department requires to be thoroughly repaired and reconstructed not only for making good the devastation caused by the war, but for equipping it adequately to discharge its responsibilities with reasonable efficiency under the present conditions. Even so, it will take a few years to reconstruct the machine, but strong and urgent measures are necessary. I trust that it will be realised that on the efficiency of my organisation will depend the real efficiency of ultimate financial control and economy of public expenditure. The partition of India, and the introduction of a democratic Government have also thrown added responsibilities. I hope therefore that I shall receive unqualified support for all my proposals for the re-organisation of the Department which will inevitably cost some money. On my part it is needless to say, that true to the traditions of the Department, I shall keep economy consistent with efficiency constantly in view."

The Committee, supporting him vigorously, said, "A strong and efficient Audit Department is the best ally that the Finance Ministry can have in ensuring a high standard of administrative integrity."

The cadre of the Indian Audit and Accounts Service was to be increased by 189 posts, recruitment being spread over the next decade. A training school for probationers of the Indian Audit and Accounts Service was started. The proposal first made in 1916 came to fruition more than thirty years later. The strength of the Indian Audit and Accounts Service officers has risen from 114 in 1949 to 411 in October 1964.

The Subordinate Accounts Service cadre was also strengthened. A large number of apprentices were recruited yearly from 1949 and examinations to the Subordinate Accounts Service held twice a year. During the eight years from 1949 the cadre more than doubled itself from 1145 to 2634. From 1949-50 to 1958-59, 1073 apprentices to the Subordinate Accounts Service had been recruited. Clerical recruitment was stepped up, two hundred people being taken in 1948 and six hundred the next year.

By 1949 the stocks of various codes and manuals required for proper functioning of the Audit Department had become very low. The integration of Princely States of which more is said later further depleted the supply of books.

The printing had been suspended so long that an officer had to be put on special duty in November 1949 to bring the codes up to date. Budget allotment for each office for books was made by the Manager of Publications from his budget on the basis of expenditure incurred in each office during the past five years. Allotments so calculated worked out to very small sums for the Audit Department because of attenuated book supplies during the war. In one Part B State the figure was just one hundred rupees. The system was scrapped at the Auditor General's initiative.

The codes and manuals issued by the Auditor General represent the quintessence of Audit knowledge for the guidance of all audit offices. Each Accountant General, however, has separate working manuals for his own use which take into account matters of special application in his office. These manuals had not been published for a long time and only after much labour could they be compiled and printed.

The accounts rendered by the Treasuries and Departments which sent compiled accounts to the various Accountants General were very inaccurate and badly classified. The State Governments agreed in 1951 to let the Accountants General review the syllabus prescribed for the more important Government accounting tests held in the State. A model syllabus drawn by the Comptroller and Auditor General also helped.

Office accommodation was very inadequate in all Audit Offices in India and large amounts have been spent since 1949 on building construction to remedy this state of affairs and to help efficient functioning. Greater attention has also since then been devoted to an adequate supply of office furniture and equipment.

The administrative powers of the Comptroller and Auditor General are derived by delegation from the Government of India. Shri Narahari Rao pleaded that for the discharge of the great responsibilities attached

to his office under very trying conditions and for rebuilding the Department in order to bring it to a reasonable state of efficiency he should have adequate authority for implementing with the utmost rapidity any decisions which he might take in this regard. His functional independence, he said, could be set at nought if he did not have adequate administrative and financial powers and had continuously to sit at the door step of the Finance Ministry. The resultant delegations etc. he got are dealt with in Chapter XXI.

Other measures adopted by him to improve the lot of subordinate staff are dealt with in Chapter XII.

Since 1890 several Accountants General had functioned as Treasurers of Charitable Endowments. The Accountant General at Bombay was also responsible for making payments and initially accounting for them at the High Court. The Comptroller and Auditor General got such work withdrawn so as to streamline the Accountant General's office and rid it of extraneous duties.

These measures did much to restore the war time damage done to audit. In his six years' tenure as the Comptroller and Auditor General he was able to bring the department to almost the same peak of efficiency as in the olden pre-war years.

Integration of States

In 1806, Metcalfe wrote to the East India Company, "Sovereigns you are, as such must act". The statement embodied the idea of British paramountcy in India. It meant that Indian States had no international life, no power to make war or peace, and that the British would settle all disputes of succession to the gaddis. Gradually the British conquered the whole of India, but left extensive regions to be ruled by Indian princes subordinate to their imperial power and "paramountcy".

Regarding the outside limits of paramountcy, the Indian States Committee (1927) evolved the dictum, "Paramountcy must remain paramount... adapting itself according to the shifting necessities of the time". In plain words British supremacy had become unchallenged. From the 15th August, 1947 the British Parliament said that paramountcy would lapse, and Indian States would be free. The princes ruled half of partitioned India's territories and one third of her people. Their total annual revenues of rupees eighty-five crores were greater than those of the largest and the most prosperous province. If they seceded, free India would be pock-marked by more than five hundred independent units within her territory ranging in size from a few acres to regions, like Hyderabad, bigger than

U.K., India, already in the birth pangs of Partition, and communal rioting would almost certainly have floundered.

But the Government of India had its plans. It set out to "integrate" the States, by which it meant that the States would have a constitutional position, and be administered in a manner no different from the rest of India.

The story of integration started with the accession of states, and was complete only after the implementation of the Report of the States Reorganisation Commission which did away with the Part B States as a separate category. The administrative changes at each step are important because the financial and accounting problems as usual are closely associated with them.

Stages of Integration: On the 5th July, 1947 Sardar Patel formed the new States Department in the Central Government. Only forty days remained for the crucial August 15 when the States would be free, but that was enough for him to persuade, with three exceptions, all the states lying within India's geographical limits to accede to the Indian Dominion. Hyderabad, Kashmir and Junagadh abstained for the time being.

The accession only placed the Dominion Government in the same position with respect to the States as the old Central Government. The States retained their internal sovereignty, but permitted the Dominion Government to administer their defence, communications and foreign affairs by signing what are known as Instruments of Accession. A Standstill Agreement provided for the old administrative arrangements for matters of common concern between the Central and the State Governments to continue.

In this first stage of integration the finances of Princely States continued, like other matters, to be separate from India. The Indian Auditor General consequently had no responsibilities for the transactions.

The second stage is the period from 1948 to 1949. Three distinct lines of development took place. On the one hand the rulers of very small States lying on the borders of the old Governors' Provinces or Chief Commissioners' Provinces signed Agreements of Merger whereby they got an annual privy purse and certain other privileges, and handed over the administration of their states to the Central Government. The separate identity of the States was preserved, only the administration came in the hands of the Central Government, which exercised its powers directly, as in the case of States contiguous with centrally administered areas, or through the agency of the Provincial Governments, as in the case of States contiguous with

the Provinces. The powers of the Central Government were exercised through the Extra Territorial Jurisdiction Act, 1947. It gave the Central Government authority to administer areas that were technically neither Provinces nor Centrally Administered Areas. Later these States were merged into the Provinces, or became Centrally Administered Areas, and lost their identity completely.

For instance, Mayurbhanj, a State in Orissa signed the Instrument of Accession in August 1947. On the 9th November, 1948 the Ruler accepted an Agreement of Merger by which he handed over his administration to the Central Government in return for a privy purse. Through the 1947 Act, the Government administered the State centrally though it was open to them to do so through the Government of Orissa. On the Ist January, 1949 Mayurbhanj was merged into the Province of Orissa, and lost its identity.

Bhopal followed a similar course except that in the stage when Mayurbhanj became merged with Orissa, Bhopal became a Centrally Administered Area instead of integrating with the Central Province.

The second parallel trend was the grouping of certain States into viable units, called Part B States in the Constitution later. They were the Unions of States. Contiguous Princely Areas having cultural or linguistic affinities were consolidated together under constitutional heads called Rajpramukhs who acted on the advice of a popularly elected legislature. The formation of the Unions again meant that the former rulers had given up their powers and in return got annual privy purses. The legal document affecting the transfer of power was called the Covenant. A fresh Instrument of Accession was signed by the Rajpramukh on behalf of all the States, giving the Government of India power, with certain exceptions, to make laws on the Central and Concurrent subjects mentioned in the 1935 Act. The measure brought the Unions of States almost on par with the rest of India. The remaining distinction was about finances. The Unions maintained their old financial systems till the time of the "Federal Financial Integration" mentioned below.

The third parallel development was the signing of fresh Instruments of Accession by large States like Hyderabad and Mysore, which thereby were placed on the same status as the Unions of States.

The distinction between the merged States, and the Unions of States is important. Before the Constitution became effective the merged States lost their identity to the Governors' Provinces or the Chief Commissioners' Provinces. The Unions of States were still distinct units, administered,

except for their finances, in almost the same manner as the Provinces.

Upgrading of Comptrollership in Orissa

In August, 1949,[35] the post of Comptroller, Assam was upgraded to that of an Accountant General,in view of the increased responsibilities brought about by the merger of states in Orissa and other causes.

Accounts Offices in merged States: The States that merged into the Provinces or Centrally Administered Areas were so small that the taking over of their accounts offices did not pose any difficult questions. When the Central Government took over the administration under the Extra Territorial jurisdiction Act of 1947, Auditing and Accounting responsibilities also became theirs. They entrusted those duties to the Auditor General from April 17, 1948, by Notification[36] under Section 4 of that Act.

Accounts Offices for States whose Administration was taken over by the Government of India: By another Notification[37] issued on the 12th June, 1948 under the same Act, the Government of India directed the Auditor General to undertake the audit and accounting of transaction of the Indian States whose administration had been or might be taken over by the Government of India. In this category came Bhopal, Bilaspur, Cooch Behar, Himachal Pradesh, Manipur, Tripura and Vindhya Pradesh.

Depending on administrative convenience, the Provincial Accountants General, or the Accountant General, Central Revenues, took over the functions of the former State Accounts Offices. The staffs of the erstwhile State offices were merged with those of the Accountant General's office in a manner to be described later for the Unions of States.

Accounts Offices in Big States and Unions: The old arrangements continued up till the formation of the Unions. Each Union abolished the accounting offices in its constituent States to consolidate them into one Central Office having jurisdiction throughout its territory. Thus Madhya Bharat formed initially (in June 1948) from twenty-one States had from the same time a Central Office under an Auditor General of Madhya Bharat,

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[35] Government of India, Finance Department No. F2(173) E-II/49, dated the 20th August, 1949.

[36] Government of India, Ministry of Finance Notification No. D 5357-B/148, dated the 17th April, 1948.

[37] Government of India, Ministry of Finance Notification No. D 7454-B/48, dated the 12th June, 1948.

and an Accountant General.

SINCE THE CONSTITUTION 1950

On the 26th January, 1950, India became a Union of States. The States were classified as Part A, B, C and D States.

Part A States

The Part A States were the old Governor's Provinces plus 216 former Princely States merged into them. The United Province had been re-named Uttar Pradesh on the 24th January, 1960. The Central Provinces and Berar came to be known from the 26th January, 1950 as Madhya Pradesh, and East Punjab as Punjab. Thus the Part A States comprised Assam, Bihar, Bombay, Madhya Pradesh, Madras, Orissa, Punjab, Uttar Pradesh and West Bengal. The Civil Audit and Accounts Offices in these States continued to function as in the old Provinces, Assam and Orissa under Comptrollers and the others under Accountants General.

Part B States

The Part B States comprised the 275 bigger Princely States consolidated into viable groups. They were Hyderabad, Jammu and Kashmir, Madhya Bharat, Mysore, Rajasthan, Patiala and East Punjab States Union, Saurashtra and Travancore-Cochin. In accordance with the provisions of Chapter V, Part V of the Constitution of India and paragraph 2(1) of the Constitution (Removal of Difficulties) Order No. III dated the 26th January, 1950 the Comptroller and Auditor General of India became responsible for the Account and Audit of the transactions of these States except Jammu and Kashmir with effect from the 1st April, 1950 (13th April, 1950 for PEPSU only) in the same way as for Part A States. In the first instance, the officers and establishments of the Audit and Accounts Department were allowed to continue. The designation of the Comptroller General of Audit and Accounts, Hyderabad was changed from the 1st April, 1950, to Accountant General, Hyderabad, of Comptroller, Mysore to Accountant General, Mysore and of Accountant General, Saurashtra to Comptroller, Saurashtra. In Pepsu the offices of the Auditor-in-Chief and Chief Accounts Officer were amalgamated and designated as Comptroller, Pepsu. The office of the Auditor General, Madhya Bharat was amalgamated with that of the Accountant General. Rajasthan and Travancore-Cochin offices continued under

an Accountant General. The officers then in charge of the various offices were continued under the new designations.

Vindhya Pradesh, which was a Part B State in the Constitution as originally passed, was made a Part C State by a Constitution Order of the 25th January, 1950.

Part C States

The Part C States in the Constitution Act as originally passed were Ajmer, Bhopal, Bilaspur, Cooch Behar, Coorg, Delhi, Himachal Pradesh, Kutch, Manipur and Tripura. Vindhya Pradesh was added to the schedule as stated in the previous paragraph. Bilaspur was united with the State of Himachal Pradesh by the Himachal Pradesh and Bilaspur (New State) Act, 1954. Cooch-Behar merged with West Bengal before the Constitution came into force and was omitted from the Schedule of Part C States by a Constitution Order of the 25th January, 1950. Ajmer and Delhi were under the Audit and Accounts jurisdiction of the Accountant General, Central Revenues Bhopal of the Accountant General, Madhya Pradesh whose deputy was stationed at Bhopal, Himachal Pradesh under the Accountant General, Punjab, Coorg under the Accountant General, Madras, Kutch under the Comptroller, Saurashtra, Manipur and Tripura under the Comptroller, Assam and Vindhya Pradesh under a separate Comptroller for it.

Part D State

The Andaman and Nicobar Islands were under the Audit and Accounts jurisdiction of the Accountant General, Central Revenues.

Federal Financial Integration

The Princely States had during the Pre-constitution period acceded to the Dominion in the three subjects of Defence, External Affairs and Communications. The Constitution of 1950 was based on the concept of States and Provinces as equal partners in the Indian Union. It inevitably followed that the Central Government should function in States over the same range of subjects and with the same powers as in the Provinces. It further meant that sources of Federal revenues and the basis of contribution of States to federal finance should be uniform with provinces. The problems, however, were fraught with so many complications that a special Committee of

Enquiry known as the Indian States Finance Enquiry Committee under the chairmanship of Shri V.T. Krishnamachari was set up in October 1948 to examine and report on the connected problems regarding Federal Financial Integration.

Federal Financial Integration involved separating the activities of the State Governments into two, one part, being the functions of the Provincial Governments, and the other, of the Central Government within the provinces. The Central portion of the responsibilities was to be taken over by the Central Government, together with all the revenues, expenditure, assets and liabilities appropriate to that function. The balance of administrative functions would be left with the State Government. No compensation was to be paid to the States for taking away their assets and certain sources of revenues, because particular activities of government, together with all liabilities and expenses relating to them were bodily to be removed from the sphere of the States and placed with the Centre.

The State budgets, however, would be unbalanced. The removal of certain revenues and expenditures to the Centre would result in a surplus or a deficit for the State. Provision was, therefore, made for a degree of gradualness in the full effect of the impact of integration.

One of the recommendations[38] of the Committee related to the appointment of a Deputy Auditor General for States with certain special responsibilities between the date of his appointment and the date of Federal Financial Integration. An Additional Deputy Comptroller and Auditor General (States) was accordingly appointed[39] and took over on the 3rd September, 1949.

Federal Financial Integration took place from the 1st April, 1950, in all Part B States except in Jammu and Kashmir and Pepsu. In Pepsu it followed from the 13th April, 1950 on the termination, on the 12th April, 1950, of the Vikarami year 2006, which was the financial year previously followed by that Union. Audit and Accounts of the Part B States became the responsibility of the Comptroller and Auditor General from the same dates. The Integration strengthened the Central Government by standardising its functions throughout the country. The States were placed on par with the Provinces. It also gave the country a uniform system of auditing and accounting. Auditing and accounting are Union Government

[38] Ministry of States, *Report of the Indian States Finances Enquiry Committee*, Part I, p. 22.

[39] Government of India, Ministry of Finance letter No. F.2(173)-E. II/49, dated the 20th August, 1949.

the responsibilities which before the 1st/13th April, 1950 were undertaken in States by agencies of very varied efficiency.

Jammu and Kashmir

Jammu and Kashmir was given a special status in the Constitution vide Art. 370 because its Instrument of Accession recognised the fact that a plebiscite would finally determine whether the State would finally remain within the Union of India. All the subjects in the Union and Concurrent Legislative Lists were not automatically made applicable to the State. The Constitution (Application to Jammu and Kashmir) Order, 1950 (C.O. 10 dated the 26th January, 1950) provided that Articles 149 and 150 of the Constitution would be inoperative for that State. Accordingly the Comptroller and Auditor General of India had no responsibilities for Audit and Accounts in Jammu and Kashmir.

In 1954 when the Constitution (Application to Jammu and Kashmir) Order C.O. 48 was notified (Ministry of Law Notification No. SRO 1610 dated the 14th May, 1954) it was provided as follows :

" (5) *Part V*

(*f*) In Art. 149 and 150, references to the States shall be construed as not including the State of Jammu and Kashmir.

(*g*) In article 151, Clause (2) shall be omitted.

22 *Seventh Schedule*

(*a*) In the Union List

(*iv*) in entries 72 and 76 the references to States shall be construed as not including a reference to the State of Jammu and Kashmir."

This meant that Accounts and Audit of Jammu and Kashmir State even after 1954 continued to be the State Government's responsibility and not of the Comptroller and Auditor General of India, unlike those of other States in the Union.

The Jammu and Kashmir Constituent Assembly by resolution dated the 14th November, 1956, accorded its concurrence to the application to the Jammu and Kashmir State of the provisions of Arts. 149, 150 and 151 (2) and Entry 76 in List I in the Seventh Schedule to the Constitution. This was followed up by a Presidential Order under Clause (*i*) of Art. 370 of the Constitution (C.O. 56 Notified under Ministry of Law Notification GSR 78 dated the 26th February, 1958 in the Gazette of India Extraordinary Part II—Section 3—sub-section (1) dated the 27th February, 1958) making these

Articles applicable to Jammu and Kashmir and thereby extending the jurisdiction of the Comptroller and Auditor General to that State. The Comptroller and Auditor General actually assumed these responsibilities from the Ist May, 1958.

When the Comptroller and Auditor General took over Audit and Accounts offices of the Part B States he was confronted with divergent systems and practices. He required time to study the situation but in the meantime as stated earlier he retained the existing heads of offices and brought their designations into line with those in the Indian Audit Department. He also instructed them to make only officiating promotions for some time.

Hindi, Urdu and Gujarati were often used in the initial accounts in Part B States. The accounts in Hyderabad were compiled in the Osmania currency which was in force initially. The Central transactions had to be converted into the Indian currency before the accounts could be made up. Vouchers required to be sent under the exchange account system to other accounting officers after financial integration had to be transliterated into English increasing clerical workload. Efficiency in the various states could only be slowly improved. Extraneous functions not properly belonging to the Comptroller and Auditor General were discarded. Trained English knowing staff was gradually recruited or transferred from Part A State Audit offices. International numerals were introduced. Arrears of audit were disregarded in December 1950 except for the last two years. Otherwise arrear clearance sections were formed. The Part B State Governments were requested to issue clear cut rules for delegation of financial powers so that an audit of sanctions could be instituted.

INTEGRATION OF STAFF TO GAZETTED POSTS

The Agreements of Merger and the Covenants, signed when the Unions of States were formed, guaranteed to the permanent personnel in the States, future conditions of service not less advantageous than their existing ones or alternatively, if they preferred to leave service, an equitable compensation. The Instruments of Accession signed for a second time on behalf of the Unions by their Rajpramukhs confirmed this condition. The Home Ministry and the States Ministry evolved a formula for protecting the old conditions of service. For departments taken over by the Centre each post in the State was equated on the basis of its salary and the responsibilities it carried to a corresponding post in the Government of India. A person occupying that post was taken over into the equivalent grade without his personal suitability for the job being considered. The very fact that he held the post was

deemed to qualify him for a similar grade in the Central Government. Once absorbed, he could be transferred, by the officer competent to exercise that power, anywhere, while drawing pay in the same grade, but for promotion his initial qualifications and capacities would count.

The Defence Services were exempted from following this procedure to protect their efficiency. As the qualifications of the staff in the States and the responsibilities they were accustomed to bear were often so different from those of the staff in the Indian Audit and Accounts Department, the Comptroller and Auditor General persuaded the Government of India that his department also required similar exemption, and that he could only discharge his constitutional responsibilities satisfactorily if he absorbed the old accounting staff after assessing them individually.

The Special Recruitment Board of the Union Public Service Commission and a representative of the Comptroller and Auditor General carried out the assessment of officers. The work was done without undue haste after the officers had been in the Indian Audit and Accounts Department for some time. The Part B States offices had been taken over as going concerns so that this procedure was quite convenient. About thirty officers of the Part B States were absorbed in the Indian Audit and Accounts Service.

The seniority of ex-Part B States officers was decided by grading them according to the number of years for which they had drawn a salary of Rs. 250 per month or more. The 250 limit was fixed because in old days the pay of the Indian Audit and Accounts Service started at that figure. The seniority of all the ex-Part B States officers among themselves was thus fixed. How they stood with the rest of the members of the service was not so material. Promotion to all posts above senior time-scale is by selection. When the time for promotion to a particular grade came/comes those in the stage immediately below in both the lists were/are considered, and promoted by selection. The Assistant Accounts Officers were similarly assessed. As the cadres in this rank are localised, fixation of seniority did not present any problem.

Staff in Classes III-IV

There was no question of assessment of Class IV staff by the very nature of their work. A departmental committee consisting of a representative of the Comptroller and Auditor General's headquarters organization, the Accountant General/Comptroller and one officer from the office concerned, the committee for dealing with the assessment of Class III staff. The representatives of the Chief Secretaries of the State Governments sat along

with the departmental committee. They functioned as observers.

The departmental committee judged the merits of individuals in a two fold process. First, the posts on the several time scales in the office being examined were equated with corresponding posts of the Indian Audit and Accounts Department. Next the capacities of the individuals, holding the posts were judged on the basis of their educational qualifications, technical ability and confidential work reports. One process established the appropriate grade of the Indian Audit Department in which the individual was deemed to be working, and the second, his suitability for that level. Seniority again posed a problem but several working rules got over the difficulty.

Several Accounts Offices had functions which were not strictly within the purview of the Comptroller and Auditor General. Such work was ultimately to devolve on the State Government, and the men in those branches were not categorised.

The Government of India committed under the Covenants and Instruments of Accession to guarantee at least as good conditions of service as the staff had prior to integration. But some people who were surplus to needs or completely unsuitable had to be sent out. Such staff was initially absorbed in the Indian Audit Department but their unsuitability was a separate matter to be determined by proceedings instituted after absorption. The retrenchment of surplus staff similarly was treated as another issue. The Government could always retrench its permanent staff surplus to its needs, and the previous guarantees made no difference once the Part B staff was integrated to become indistinguishable from the Centre's establishment. Retrenchment terms were laid down for persons subsequently so discharged on being rendered surplus. The Central Civil Services (Part B States Transferred Employees) Rules, 1953 were issued to govern such matters as election between State Rules and Central Rules, fixation of initial pay in the appropriate grade or post on the Central scales of pay, leave, pension, etc. The Central Civil Services (Audit and Accounts Department Transferred Employees) Rules, 1956 similarly regulated conditions of service of employees taken from a Part C State or state merged with a Part A State.

Upgrading of Assam Audit and Accounts Office

The post of Comptroller, Assam grew in its importance and responsibility owing to the extension of its Audit and Accounts jurisdiction to the States of Tripura and Manipur and to the 25 Khasi States integrated with Assam. There were also the problems created by the special needs of the North

East Frontier Agency, administered by the Governor of Assam in addition to the general expansion of the activities of the state with the growth of welfare measures. The Comptrollership was consequently upgraded to Accountant Generalship from the 11th August, 1952.[40]

Creation of Andhra State

The Andhra State Act, 1953 created from the 1st October, 1953 a new Part A State to be known as the State of Andhra from out of the territory of the State of Madras, attended by a transfer of Bellary district from Madras to Mysore. The office of the Accountant General, Madras[41] got bifurcated and a new office of Accountant General, Andhra came into being. It functioned from Madras for some time. Though the main office now functions at Hyderabad, a portion of the office has continued to remain at Madras.

States Re-organisation

In December 1953, the Government of India appointed a commission under the chairmanship of Shri Saiyid Fazl Ali, the Governor of Orissa, to investigate the problem of the States, which were constituent units of the union and whose pattern in the union was the result of historical accident and circumstances rather than on the basis of the welfare of the people of each constituent unit as well as of the nation as a whole. The Commission submitted its report in September 1955 and legislation followed in 1956.

The States Re-organisation Act, 1956, which came into force from the 1st November, 1956, read with the Constitution (Seventh Amendment) Act, 1956 introduced several territorial changes and formed some new States. Hyderabad, which consisted of three areas, Telangana, Karnataka and Marathwada, ceased to exist as a separate State and its territories were split up on the basis of linguistic and cultural affinity and added to Andhra, Mysore and Bombay States. The State of Andhra came to be known as Andhra Pradesh. Saurashtra and Kutch merged in Bombay, and Ajmer in Rajasthan. Travancore-Cochin became Kerala. There were several adjustments of territories

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[40] Comptroller and Auditor General's Notification in the Gazette of India No. 424-GE/248-52, dated the 28th August, 1952.

[41] Government of India, Ministry of Finance Notification No. SRO 843, dated the 29th April, 1953 as amended and Notification No. F-12(11)-Est. III/56-I, dated the 22nd October, 1956.

between the States. The classification of States into Parts A, B, C and D was done away with, the new classification being States and Union Territories. Madhya Bharat, Bhopal and Vindhya Pradesh lost their separate identity. Thus the States comprised Andhra Pradesh, Assam, Bihar, Bombay, Kerala, Madhya Pradesh, Madras, Mysore, Orissa, Punjab, Rajasthan, Uttar Pradesh, West Bengal and Jammu and Kashmir, 14 in all. The Union Territories, six in all were Delhi, Himachal Pradesh, Manipur, Tripura, The Andaman and Nicobar Islands and a new one formed out of the Madras State named The Laccadive Minicoy and Amindive Islands.

As a consequence, the offices of the Accountant General, Hyderabad and Madhya Bharat and Comptroller, Saurashtra ceased to exist. The Accountant General, Andhra Pradesh moved to Hyderabad, the new capital of Andhra Pradesh. The former office at Rajkot in Saurashtra became subordinate to and a regional office of the Accountant General, Bombay. The Audit and Accounts jurisdiction of the remaining offices got readjusted to fit in with the changes in territories of the respective States. The Accountant General, Madhya Pradesh has his offices at Gwalior with branches at Nagpur and Bhopal (present capital of Madhya Pradesh).

Formation of Gujarat

Under the Bombay Re-organisation Act, 1960 from out of the Bombay State were established from the 1st May, 1960 the States of Maharashtra and Gujarat, making the total number of States 15. The capital of Gujarat is Ahmedabad and the office of the Accountant General, Gujarat is stationed at that place with a branch at Rajkot, where the former Comptroller, Saurashtra was stationed.

State of Nagaland

The State of Nagaland Act, 1962 formed Nagaland as the 16th State. The Accountant General, Assam is its Audit and Accounts Officer.

Former French Possessions in India

Chandernagore

The *de facto* administration of Chandernagore was transferred by the French Government to the Government of India on the 2nd May, 1950.

The *de jure* transfer took place on the 9th June, 1952.

By the Chandernagore (Merger) Act, 1954 from the 2nd October, 1954, it was merged in West Bengal. The Central Sub-Treasury that had been functioning at Chandernagore was replaced from that date by a Sub-Treasury under the Government of West Bengal. The area as part of West Bengal automatically comes under the Audit and Accounts jurisdiction of the Accountant General, West Bengal.[42]

Pondicherry, Kariakal, Mahe and Yaman

The *de facto* administration of the French Establishments in India known as Pondicherry, Karaikal, Mahe and Yaman was taken over by the Government of India from the 1st November, 1954 and a Chief Commissioner was appointed from the same date. A Pay and Accounts Office was also set up simultaneously to work under the administrative control of the Finance Secretary to the Chief Commissioner and function as a combined Treasury and Accounts Office. The statutory audit was entrusted to the Accountant General, Madras and a resident audit party stationed at Pondicherry.

On the 28th May, 1956 a treaty of cession was concluded between France and India establishing the cession of the French Establishments by France to India in full sovereignty, with the Pondicherry (Administration) Ordinance, 1962 subsequently ratified on the 5th December, 1962 by the Pondicherry (Administration) Act, 1962, which came into force on the 16th day of August, 1962, the *de jure* transfer was completed. The offices of Accounts and Audit continue as before.

FORMER PORTUGUESE POSSESSIONS IN INDIA

Dadra and Nagar Haveli

The Dadra and Nagar Haveli Act, 1961 made them Union Territory to be administered as such from the 11th August, 1961 through an Administrator appointed by the President. The territory has been under the Audit and Accounts jurisdiction of the Accountant General, Maharashtra.

Goa, Daman and Diu

The territories comprised in Goa, Daman and Diu were acquired from

[42] Government of West Bengal, Finance Department Audit Branch Notification No. 3809-F/F/IT-4(95)/54, dated the 30th September, 1954.

the 20th December, 1961. The Goa, Daman and Diu (Administration) Ordinance, 1962 was issued on the 5th March, 1962 to provide for their administration as Union Territory through an Administrator. The Ordinance was replaced by the Goa, Daman and Diu (Administration) Act, 1962 on the 27th March, 1962. A Directorate of Accounts in the Administration started functioning from the 18th August, 1962. The Accountant General, Maharashtra is the statutory audit officer.

State of Haryana and Union Territory of Chandigarh

In accordance with the provisions contained in the Punjab Re-organisation Act, 1966 two new States "Punjab" and "Haryana" and a new Union Territory "Chandigarh" were formed with effect from the 1st November, 1966. That Act also transferred from the same date a portion of the territory of the former Punjab State to the Union Territory of Himachal Pradesh. The office of the Accountant General, Punjab was redesignated as Accountant General, Punjab, Haryana and Himachal from that date.

(B) Forest Accounts and Audit

Forests were administered in the early years through the Public Works Department of the Government of India though not forming a branch of it and Forest transactions did not come into the Public Works budget.[43] In 1862[44] the Government of India decided that pending further instructions from His Majesty's Government, all branches of Forest business would continue to be considered in the Public Works Department. Controllers of Public Works Accounts audited Forest expenditure. The Government of India appointed Dr. Brandis, the Superintendent of Forests in Burma, on special duty in the Government of India to consider ulterior measures to be adopted for the introduction of an efficient system of Forest management in the Government and Administrations more immediately under the control of the Government of India. A separate budget for Forest receipts and expenditure was also decided upon. Dr. Brandis became the Inspector General of Forests in 1864 and the first Act for the protection and management of forests was passed the next year. In March 1865, Dr. Brandis made his proposals for a system of Forest Accounts (except for Madras and Bombay)

[43] Government of India, Public Works Department General Circular to all State Governments No. 84, dated the 18th September, 1861.

[44] Government of India, Public Works Department Resolution No. 4088, dated the 21st October, 1862 and Government of India F.O.M. No. 35, dated the 14th November, 1862.

and a committee[45] was appointed to consider the same. The fundamental part of the revised procedure was the submission of a cash book or unclassified account by Forest Officers. This was in accord with the new system of accounting in the Civil Department, in which it had been a principal object to reduce as far as possible the accounts rendered by Treasury and other disbursing officers to mere Cash Books, supported by subsidiary vouchers and registers. The Committee recommended the discontinuance of the arrangements in force in several Provinces, under which the Forest expenditure was audited by the Controllers of Public Works Accounts. The Government[46] of India believed that this arrangement had been productive of much good but it had served its time. It agreed with the Committee that the Forest Accounts should be rendered to, and audited by, the Accountant General of the different Provinces. The chief reasons for thus placing the audit of, and to a certain extent the entire control over the Forest Accounts, in the hands of the Provincial Accountants General were, that the Conservators of Forests could not properly attend to the accounts without neglecting their more important outdoor duties; whilst in the majority of cases the transactions of the Department were not then of sufficient magnitude to justify the appointment of a special officer under the Conservator to assist in the examination and audit of the accounts. Another recommendation of the Committee was that in those Provinces where the transactions of the Forest Department were of sufficient extent and magnitude to justify such an arrangement, (this was so in North Western Province and British Burma) there should be a separate office of Forest Accounts in charge of the Conservator of Forests or an officer specially authorised. The Executive Forest Officers would render their accounts to this office where they would be abstracted and scrutinised in a preliminary manner. The Accountant General's books would record in such cases mere provincial totals. The Government of India approved the carrying out of this arrangement where it could be done without undue expense.[47] In other provinces, the accounts of Forest Divisions would be rendered direct to the Local Accountant General who would record in subsidiary books the divisional details. After an experience of not less than one year rules were to be framed for the guidance of Accountants General and Forest Officers. A letter of credit system against which Forest cheques would be drawn was also approved. The Accounts from the

[45] The Committee consisted of Mr. W.H. Foster, Major Chesney and Dr. Brandis.

[46] Government of India, Public Works Department Resolution No. 544 F., dated the 18th November, 1865.

[47] Government of India, Finance Department Resolution No. 1496, dated the 29th March, 1866.

1st May,[48] 1866 were recast in new forms and brought entirely under the Civil Accounts Department, the Controller of Public Works ceasing to have any connection with them from that date.

Experience showed, however, that this system did not work well. The Provincial Accountants General were not, and could not be expected to be, sufficiently familiar with the detailed operations of the Forest Department, to enable them to exercise an efficient control over the accounts, especially in those cases in which no aid was received by them from the Conservator of Forests. Consequently in 1870[49-50] the Government of India ordered a modification in the procedure for audit and record of forest receipts and expenditure. A further modification was made in 1871.[51] Accountants General were to receive mere abstract of the monthly receipts and expenditure arranged in totals of the sub-heads of the Budget. Accounts in full details were to be submitted by the Forest Officers to the Conservator of Forests, supported by vouchers, for a detailed audit of the monthly transactions. These abstract accounts were to be compiled in the Office of the Conservator of Forests in the form of a balanced cash Account showing Treasury remittances on both sides in detail and submitted to the Accountants General. Check over unauthorised items of expenditure would rest with the Central Office of Forest Accounts and the Accountant General's responsibility would be limited to seeing that the estimate of revenue was being made good and the estimate of charge was not being exceeded by the actual expenditure under the prescribed major and minor heads of the Forest Budget estimate. Any divergence should be brought to the notice of the Conservator and where necessary of the Local Government and the Government of India. He would also check all Treasury remittances shown in the consolidated Forest Account rendered to him by the Central Forest Accounts office, with the corresponding entries in the Treasury account. The system was not to be extended to any province in which its introduction would be creative of a new appointment of Assistant or Deputy Conservator for the Forest Accounts.

The attention of Conservators was at the same time drawn to the serious responsibility which had been confided to them, and to the additional care

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[48] Government of India, Public Works Department Resolution No. 149 F, dated the 18th March, 1870.

[49] Government of India, Finance Department Resolution No. 654, dated the 31st March, 1870.

[50-51] Government of India, Finance Department Resolution No. 4138, dated the 20th October, 1870, and No. 4406, dated the 18th October, 1871.

on their part which was necessary when auditing the accounts. With the Conservators, it was said, "rests the responsibility of the correct performance of all audit duties, and by them personally all doubtful charges must be passed. They must keep in their own hands the *bonafide* control of the money expenditure of the department, not permitting it to devolve, with the actual compilation of the accounts, as a matter of routine, on Deputy or Assistant Conservators in charge of the Forest Office at head-quarters".

And with reference to Accountants General, it was said:

> "In all cases the Conservators' Office of Accounts will be open to the inspection of Provincial Accountants General, as well as of the Inspector General of Forests, who will see that properly qualified officers are in charge, and that proper system is maintained in them.
>
> "It will be the duty of Provincial Accountants General to bring to the notice of Conservators, and, if necessary, of local Governments, any cases in which it may seem to them that errors have been admitted in the accounts, or that audit has not been according to rule."

With the exception of Oudh and Berar, special Assistants were appointed under Conservators to carry out this system of auditing the accounts.

In 1873, the North Western Provinces Government, raised the question whether the Conservator should audit the Forest accounts, and this, it was thought by that Government, was extremely doubtful and was a matter deserving the reconsideration of the Government of India. At any rate, it was said, "all personal allowances, including salaries, should come under the cognisance of the regular Audit Department, more especially as important questions of pensions are dependent on the correct and regular record of name and service".

The Government of North Western Provinces soon after sent up the proceedings of a Committee assembled to investigate the system of audit pursued by the Conservator, in which were pointed out in detail circumstances which showed that the audit had not been an effective one. The Committee pointed out that the defect in the system which militated against the well established principles of public accounts was, that the expending and controlling authority was one and the same and, therefore, strongly advocated a system of perfectly independent audit to be exercised by an authority outside of the Forest Department, either by the Accountant General or an Officer subordinate to him, well versed in the system of forest administration. The old system was considered defective because it was thought that the Forest accounts involved an intricate procedure, which was unintelligible to an ordinary Audit Office, but the Committee considered that this

objection could be easily met by the appointment of a Forest Auditor, who, while possessing the special technical knowledge, might at the same time become acquainted with the ordinary routine of an Audit Office.

The Government of North Western Provinces further pointed out that in addition to the error in principle of allowing a department to audit its own accounts, the system was defective (1) in the difficulty of providing for the post of Forest Auditor an officer possessed of the necessary familiarity with the principles and practice of accounts and audit, and (2) that a single and separate auditing officer was liable to removal, and that thus the continuity and uniformity of check and audit provided in a large office of account was lost.

The Comptroller General also was for an independent audit in addition to the departmental examination of accounts.

In 1874, the Government of India[52] thereupon directed the Accountants General, Bengal, Madras and Burma to re-audit the accounts of the Conservators of Forests for one quarter and to report the result of such re-audit to the Government of India, in order that it might be determined whether the audit of Forest accounts should rest with the Conservators, or be transferred to the Civil Accounts Department. The Comptroller General and the Inspector General of Forests were also requested to submit a joint report upon the best means of securing an efficient audit and control of the Forest accounts in the several Provinces under the Government of India. After consideration of the reports the following arrangements were sanctioned[53] in 1876 :

(1) In the several Provinces (except Madras, Bombay, Mysore and Berar) the existing system under which the monthly accounts of Divisional Officers were rendered to the Conservator or Chief Executive Forest Officer for scrutiny in the first instance should be maintained but the accounts should afterwards be transferred for final audit to the Comptroller General.

(2) For this final audit an officer of the Forest Department of some experience and standing should, in the first instance, be attached to the Comptroller General's office, with the designation of Assistant Comptroller General with a special pay of Rs. 200 per mensem with a small establishment.

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[52] Government of India, Finance Department Resolution No. 2757, dated the 30th April, 1874, and Government of India, Department of Revenue, Agri. and Com. No. 23/803-817, dated the 28th July, 1874.

[53] Government of India, Finance Department Resolution No. 635, dated the 31st May, 1876.

(3) The revised arrangements should be introduced from the 1st April, 1877.

The audit of the Forest accounts in the Madras Presidency was transferred from the Examiner of Forest Accounts to the Local Accountant General from the 29th March, 1892.[54]

The position in 1904 was that except in Madras and Bombay, in accordance with the arrangements sanctioned in 1876, Forest Revenue and Expenditure in all Provinces were accounted for to the Comptroller General who conducted the necessary audit and thereafter transferred the transactions to the Accountant General and Comptrollers concerned for adjustment in their books. Whatever might have been the merits of the system when introduced, under conditions in 1904 it was felt that such centralisation in audit involved delay in the adjustment of Forest Revenue and Expenditure in the books of the Accountants General and Comptrollers and the review in detail of the estimates by the Government of India, which could not be dispensed with so long as the centralised system was maintained, threw unnecessary work on the departments concerned.

The Government of India, therefore, decided[55] that the Forest Revenue and Expenditure in all Provinces should, as in Madras and Bombay, be accounted for to, and audited and brought to account by, the account officer of the Province, instead of by the Comptroller General. The account officer would deal with the heads "IX and II Forests" in their estimates and accounts and the Budget Notes just as they dealt with any other head of Revenue and Expenditure on their books, the separate estimates submitted to the Government of India being discontinued. The new system was to come into force on the 1st April, 1905. Thus ended the separate system of Accounts and Audit in the Forest Department.

(C) Audit of Press Accounts

Prior to 1901, the audit of Government Presses was performed by local accounts officers, periodical inspections being conducted by the Deputy Auditor General or Examiner of Local Fund Accounts.

The Government of India felt that the financial interests involved in the Government Presses were important and their accounts were in need of more constant and thorough audit than they were obtaining. This was indicated

[54] Government of India, Revenue and Agriculture letter No. 1306, dated the 3rd November, 1892.

[55] Government of India, Finance Department Resolution No. 6271, dated the 4th, October, 1904.

beyond doubt by officers of the Accounts Department who had been deputed to examine the accounts of two Government Presses. The Government of India,[56] with the sanction of the Secretary of State, decided to appoint a special Press Audit Officer with effect from the 1st April, 1901. He was designated Examiner of Press Accounts and was on the graded list of the Finance Department. He was given a local allowance of Rs. 200 per mensem as compensation for discomforts of touring life. His duty was to test-audit and examine the accounts of expenditure of all Government Presses periodically and to report thereon for the information of the Local Government Administration or Department under which the Press worked. It was left entirely to these authorities to pass orders on the Examiner's Reports and to determine whether and to what extent his suggestions should be adopted. The Government of India by the appointment did not intend to interfere in any way with the management and control by Local Governments of their printing establishments. It was anticipated that the full and frequent audit of Press Accounts would besides checking irregularities, be of considerable assistance to officers responsible for the administrative control of the Presses, since as time went on, the examiner's experience would enable him to suggest methods of economising time and money.

In 1904,[57] the Government of India created the appointment of Controller of Printing and Stationery. Audit and Inspection Reports of the Examiner were thereafter required before passing orders to be shown to the Controller of Printing and Stationery for advice on those portions of the Reports which contained recommendations or proposals by the Examiner. To secure uniformity in treatment, the Examiner's reports were to be forwarded to the Comptroller and Auditor General to be forwarded with his review to the Local Government or other authority concerned. State Railway Presses were excluded from the scheme of inspection by the Examiner. If he visited the Railway Presses, it should be for an inspection only of the general system of accounts at conveniently long intervals and not for detailed and regular audit.

The appointment of the Controller of Printing and Stationery was the result of the recommendations of a committee presided over by Mr. (Later Sir William) Meyer. Other recommendations of this committee were: (1) the abolition of the post of Examiner, Government Press Accounts ; (2) transfer of the Press Audit Department to the Controller of Printing ; and (3) the

[56] Government of India, Finance and Commerce Department Resolution No. 1282 P, dated the 6th March, 1901.

[57] Government of India, Finance Department letter to the Comptroller and Auditor General No. 8012 S.R., dated the 26th December, 1904.

creation of an appointment of Assistant Controller of Printing (Accounts). One cause of these developments was that the Examiner went into administrative questions and it was thought that an audit officer was not suitable for the executive portion of the work as he had no technical knowledge and could not appreciate the difficulties of press management. This was an observation of the committee. With the appointment of a Controller of Printing and Stationery the executive part of the work was satisfactorily provided for. It was considered no longer necessary to have a separate Examiner of Press Accounts. The Government of India did not at first agree with this recommendation and suggested to the Secretary of State postponement of its consideration till the Controller of Printing had been for at least two years in his post and was able to advise on the point. The post was accordingly abolished from October 1905 and the vacancy utilised with the Secretary of State's approval to strengthen the Paper Currency Department at Calcutta. The Controller of Printing[58] and Stationery was given an accounts expert in the person of an officer from the subordinate ranks of the Accounts Department and designated Assistant Controller of Printing (Accounts).

The Controller found that Accounts work was not suitable to him and in April 1910 the Press Audit Department was bodily retransferred to the Comptroller General. The Assistant Controller of Printing (Accounts) came to be known as the Inspector of Press Accounts. He had 35 Presses for audit, 22 regularly every year, 5 occasionally and the remaining 8 only when specially required by the Local Government. His staff was at various places, Calcutta, Madras, Nagpur, Bombay and Allahabad. They were without supervision for the greater part of the year. This arrangement was found unsatisfactory.

The post of Examiner of Press Accounts was re-created[59-60] in 1912 to be filled by an officer of the General List, with a fixed travelling allowance of Rs. 150 per mensem. The appointment of an Assistant Examiner of Press Accounts on Rs. 250—15—400 was also sanctioned. The post of Inspector of Press Accounts under the Controller of Printing was abolished.

In May 1929, as a result of a promise by the Finance Member to investigate the possibilities of retrenchment, the Auditor General took up the examination of the question as to whether the post of Examiner of Press Accounts could not be abolished and the work entrusted to the Director of Commercial Audit, partly as a measure of retrenchment and partly as a

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[58] Government of India, Finance Department Order No. 5106, dated the 20th September, 1906.

[59] Government of India, Finance Department letter Nos. 638-Ad, dated the 12th October, 1912 and 205 F.E., dated the 17th February, 1913.

[60] Secretary of States Despatch No. 33 Financial, dated the 13th March, 1914.

suitable development of the responsibilities of the Director of Commercial Audit. It was decided[61] to abolish the post of Examiner, Press Accounts from the 16th April, 1931 and to place Press Audit incharge of the Assistant Director of Commercial Audit, Port Trust Circle, Calcutta (to be called thereafter Calcutta Circle) in addition to his duties as an experimental measure for two years, with a compensatory allowance of Rs. 100 a month in view of the extra touring he would have to perform. It was intended to distribute the work eventually on a territorial basis. There were 54 Presses. Meanwhile the staff of the Examiner was to continue on the existing basis under the Commercial Audit Branch.

The Commercial Audit Department itself was decentralised in the last quarter of 1932 and audit of Press Accounts along with other commercial audits was fused with the local audit sections of the various civil Accountants General.

With the revival of the Commercial Audit Branch in 1955, local Accountants General who carry out local audit of Government Presses send their draft Audit Reports and material for the Commercial Appendix in respect of Appropriation Accounts from 1954-55 to the Director of Commercial Audit.

(D) Customs Audit

In 1895, a small Customs Audit Branch was started[62] in the office of the Board of Revenue, Calcutta for the audit of accounts of the Calcutta Custom House. The system of audit which was carried out by subordinate clerical staff was considered defective. In 1905, the Secretary of State was approached to substitute for this staff an auditor to be obtained permanently from the Civil Accounts Department and who would ordinarily be an officer of Chief Superintendent's rank, and two clerks, who would work at the Custom House under the orders of the Board. The Board of Revenue preferred a system of periodical audit of the accounts of the Custom House, to be conducted on the spot by a trained auditor working under the Accountant General. The Board observed that the advantages of this course would be found in the greater expert supervision exercised by the Accounts Department and in the avoidance of the apathy of routine to which a permanent audit staff employed without cessation upon duties of one description were

[61] Government of India, Finance Department No. F/70-I EX. I, dated the 21st March, 1931.

[62] Government of India, Finance and Commerce Department No. 3356, dated the 16th July, 1895.

apt to succumb. Two successive Accountants General were said to have considered that it was the duty of the Board to see that the dues of Government were correctly realised, that the function of the Account Department did not begin until the money had been paid into the Treasury, that the Board should not divest itself of this responsibility and that it would be unnecessarily inconvenient and expensive from the administrative point of view that the auditor should exercise independent authority. The special staff was sanctioned[63] to work under the orders of the Board.

In 1909,[64] the Government of India caused a scheme to be drawn up which contemplated the establishment in each Custom House, under the direct control of the Collector of an audit branch whose duties would be to apply systematically the requisite checks on the receipts and outgoings of the Custom House and in the main to ensure that every dutiable item in the manifest was accounted for, and to check values accepted for goods. The scheme was generally accepted by maritime local Governments, with the exception of the proposed audit of values, and steps were taken for its introduction accordingly.

In 1911, the position was as follows :

(1) At each Custom House, an executive audit was conducted by the ordinary clerical staff, working under an Assistant Collector of Customs, to ensure that duties were properly levied and paid in respect of all dutiable goods.

(2) In addition to the above, a continuous audit of the accounts of the Custom House was conducted by trained accountants working under the Assistant Collector in charge of the Treasury, so as to ensure that the Custom duty paid was credited to Government, that the payments of refunds and drawbacks of overtime fees, etc., were made in accordance with the prescribed rules on the subject and that proper accounts were kept of both receipts and payments.

The Government of India proposed that in addition to the executive and accounts audits referred to above there should be a test-audit of the accounts of the Custom Houses at reasonable intervals, by a peripatetic audit staff, working under a trained officer of the Accounts Department in order to see that the continuous audit referred in (2) above was being properly conducted at the different Custom Houses and that required checks were not being omitted. The officer in charge of the test-audit should be of a status higher than the local auditors and with a full experience of government

[63] Secretary of States Despatch No. 55 Revenue, dated the 31st March, 1905.

[64] Government of India, Finance Department Despatch to the Secretary of State No. 189, dated the 29th July, 1909.

accounts. He was to get a local allowance of Rs. 200 a month. The addition of an appointment to Class III of the general list of the Indian Finance Department was proposed on this basis, with a small staff, for the examination of the Custom Houses at Calcutta, Bombay, Rangoon, Karachi, Madras and Chittagong in turn. The proposals were sanctioned by the Secretary of State in 1912[65] and the arrangements came into force in 1913. It was left to the Auditor to determine the amount of detail into which the audit at each post should be carried. His report in each case was to be submitted to the local Government concerned and it would rest with them to pass orders on his report and to determine whether and to what extent his suggestions should be adopted. He was at first designated "Auditor of Customs Accounts in India" but later came to be known as "Examiner, Customs Accounts".

When the Government of India Act, 1919 was passed and the duties and powers of the Auditor General were laid down in the statutory Rules issued thereunder known as the Auditor General's Rules, 1926, it became necessary to issue an order under Rule 12 thereof entrusting the audit of Customs revenue to the Auditor General. This was done in Government of India, Finance Department letter of the 1st May, 1924 No. 755-A. This was repeated under the provision of paragraph 13 (2) of the Government of India (Audit and Accounts) Order, 1936 made under the Government of India Act, 1935.

The question had for some time been under consideration whether the arrangements for safeguarding of the Customs Revenue were in every way sufficient and suitable. The matter had been raised in paragraph 61 of the proceedings of the Public Accounts Committee relating to the Accounts for 1928-29. An Accountant General was placed on special duty from early November, 1931 to the 30th April, 1932. At an intermediate stage of the inquiry it was first decided :

(1) that the statutory audit should in future be of a purely financial character and should not be of the nature of administrative audit or inspection;
(2) that the audit need not be extensive and should in essence be a test-audit, and
(3) that while the auditors carrying out the initial audit must necessarily be specially trained in and have experience of Customs revenue audit it was not necessary to employ a specialist officer

[65] Secretary of States Despatch No. 18 Revenue, dated the 16th February, 1912 and Government of India, Commerce and Industries (Customs) letter to the Government of Bengal, Revenue Department No. 1244-6, dated the 17th February, 1913.

to supervise the audit, that is to say, a specialist in Customs Law administration.

After receipt of the report it was decided that the correct policy to adopt was to institute a decentralised financial test-audit under the supervision of maritime Accountants General. The posts of Examiner of Customs[66] Accounts and Assistant Examiner (which had been created temporarily) were abolished. The audit of each Custom House was entrusted under the decentralised scheme to the maritime Accountants General in whose jurisdiction the Custom House lay and the Accountant General, Central Revenues was appointed the co-ordinating Principal Auditor for procedure and practice in all Custom Houses and for the presentation of the results of Customs Revenue Audit *vis-a-vis* Government and *vis-a-vis* the Public Accounts Committee. He was to see that, as far as may be, uniformity of practice and procedure existed at the various Custom Houses and to take such action as he considered necessary, in consultation with the maritime Accountants General and the Central Board of Revenue or the Government of India to secure it, where diversity existed.

The advantages claimed for the new system were as follows :

(1) Concurrent or resident audit replaced peripatetic post-audit. The initial audit would be continuous and would also be larger in total volume. Time formerly spent in travelling would be given to actual audit.

(2) The supervision of the audit would be carried out locally and continuously by an officer of status at least equal to that of the Collector of Customs instead of by a peripatetic Examiner—an officer in Class II of the Indian Audit and Accounts Service, *i.e.*, a very junior officer. The Examiner by reason of continuous employment on Customs audit gained certain expert knowledge of Customs administration which was no doubt of value. But it was believed that the loss of this would be at least counterbalanced by the greater general experience and authority of the Maritime Accountants General, while it was reasonable to anticipate that Accountants General would very soon become as competent to supervise this type of audit as the other miscellaneous types of audit which were already their responsibility. There was at any rate a clear extra advantage in having a senior audit officer present at all times to settle differences, if need be in personal discussion with the Collector of Customs.

[66] Government of India, Finance Department letter No. F.18.III-Ex. I, dated the 5th April, 1932.

(3) The duties of co-ordination and report *vis-a-vis* the Central Board of Revenue, the Government of India and the Public Accounts Committee, would similarly be allotted to a senior officer instead of a junior officer—to the Accountant General, Central Revenues. The later was the Accounts Officer of the Central Board of Revenue and the Government of India in respect of all their other financial transactions. The arrangement fitted conveniently into the general plan of their accounts and audit organisation whereas the former arrangement was admittedly an excrescence.

(4) The new arrangement would relieve Collectors of Customs of the inconvenience caused by the necessarily intensive character of the peripatetic inspections. This, combined with the reception and disposal of inspection reports which presented the results of inspection *en masse*, tended to interrupt and dislocate current business--a rather serious objection in the case of Customs administration.

(5) The arrangement was clearly economical. "Waste" expenditure (mainly the cost of transporting the Examiner and his staff to every port in India and Burma once every eighteen months or so) had been eliminated. Actually, a net saving of Rs. 10,000 a year had been secured while it was believed that there would be a gain in efficiency also.

The co-ordination work in connection with the Revenue Audit of Customs receipts and refunds was taken over by the Headquarters office of the Comptroller and Auditor General in October 1961 along with similar work relating to Income-Tax and Central Excise which is dealt with in Chapter XIV(B).

(E) Commercial Audit

Origin

As gradually the number of Government Commercial and quasi commercial undertakings was growing, it was being increasingly recognised that the Government system of accounts was unsuitable for recording and controlling the transactions, and presenting at any time the true state of affairs, of such undertakings. In order to investigate the possibilities of improvement in their systems of accounts representatives of Messrs. Price, Waterhouse and Company, Chartered Accountants, London came to India in December 1920 at the request of the Government of India. They made valuable

suggestions as to the desirability of introducing certain reforms in accounting systems. The advisory work relating to the introduction of commercial systems of accounts and of auditing these accounts was, at the outset, entrusted to a few officers of the Indian Audit and Accounts Service with commercial accounting knowledge and to firms of Chartered Accountants in India and Burma with the previous sanction, where necessary of the Auditor General in India. As the work increased it was considered desirable, to enable the Auditor General in India to discharge more adequately his statutory responsibility in regard to audit, to obtain the services of an experienced Chartered Accountant to supervise on his behalf the whole of such work and to train a certain number of officers of the Indian Audit and Accounts Service and the subordinate staff in commercial accounting and auditing. For that purpose, the Government of India in 1924 at the instance of the Auditor General, requested the Secretary of State for India to select a Chartered Accountant. The Chartered Accountant who was appointed for a period of five years, reported for duty in India in January 1925 and was designated Director of Commercial Audit. He and his staff were attached to the Auditor General's office till the 1st of March, 1928 when the section was separated from that office and constituted as a separate Commercial Audit Branch of the Indian Audit Department.

Organisation

In 1928, the Government of India sanctioned[67-68] the recruitment direct to the Indian Audit and Accounts Service of Chartered or Incorporated Accountants. Some officers of the Indian Audit and Accounts Service were also given training in Commercial Accounting and Auditing. Appointments of Assistant Audit Officers were made either direct from Chartered Accountants or by promotion of subordinates in the Indian Audit Department who had undergone training in Commercial Accounting and Auditing. For Superintendents a Subordinate Accounts Service (Commercial) Examination was instituted and none could be confirmed until he had passed it or been exempted.

In the first three years the Director of Comptroller Civil Audit had trained several officers of the service in the Commercial system of Accounts. He also held training classes annually for superintendents and clerks. From

[67] Government of India, Finance Department Nos. F/44/III/R.II/28, dated the 12th September, 1928 and 10th November, 1928.

[68] Government of India, Finance Department letter No. F/44/IV/R-II, dated the 7th June, 1928.

the men so trained accountants and clerks were selected both for the Commercial Audit Branch and for the work of maintaining the accounts of Government Commercial concerns. The volume of work that was entrusted to him was being constantly augmented. It was considered that the work of permanent nature was sufficient in volume, to justify the organisation of the Branch on a permanent basis. A portion of the cost would also be covered by recoveries from the concerns audited. The branch was accordingly placed on a permanent footing on the 1st January, 1929. Officers of the Indian Audit and Accounts Service who were Assistant Directors as on the 15th November, 1928 were protected in regard to their special pay of Rs. 250 a month. Assistant Audit officers appointed prior to the 1st July, 1928 who got the higher rate of pay attached to the Auditor General's office were also protected. The Director was given a personal rate of pay of Rs. 2000—100—3000+£ 13.6s.8d.

The Department was constituted into six, later seven circles and a Headquarters office. In 1929, there were besides the Director, 4 Assistant Directors and 4 Assistant Audit Officers. One Assistant Director was added in 1930 by upgrading an Assistant Audit officer's post.

Decentralisation

In view of the financial stringency in 1931 and as a measure of permanent economy it was decided to decentralise Commercial Audit and transfer it to the Accountants General concerned. The post of the Director of Commercial Audit and his headquarters establishment were abolished. In the provinces the audit of the Commercial Accounts of provincial concerns was fused with the existing local audit on various dates between the 1st December, 1931 and the 31st March, 1932. The audit of accounts of Commercial concerns of the Central Government was to be carried out on behalf of the Accountant General, Central Revenues or the Director of Army Audit as the case might be, by the Provincial Accountant General within or near whose territorial jurisdiction the concern was situated or was to be carried out direct by the Central Government's Principal Auditors as found most convenient and economical in individual cases. Port Trust accounts would revert to the Provincial Accountants General subject to any special orders passed by Government in individual cases. No specialisation of staff or function was to remain. Every Accountant General was to perform *vis-a-vis* his own local Government the function previously performed by the Director of Commercial Audit, without any additional staff. Apart from the special processes of audit which had to be applied to commercial accounts, in respect of which

some obvious distinction was necessary. Commercial Audit was not to be differentiated otherwise. It was, however, recognised that to provide adequately for expert audit of Commercial Accounts in future, it might be necessary for each Accountant General to recruit from time to time a certain number of subordinates possessing some recognised qualification in commercial accountancy or to provide for the training in commercial accountancy of subordinates recruited through the usual channel and similarly it would be necessary for the Indian Audit and Accounts Service to continue to include officers who had received by some means or another special training in Commercial Accounts and Audit.

Revival as a specialised branch

After Independence and the promulgation of the Industrial Policy Resolution, 1948 announcing the Industrial Policy of the Government of India which envisaged a mixed economy with the over all responsibility of the Government of India for the planned development of industries and their regulation in the national interest, the Union and State Governments began to incur expenditure of a magnitude, unknown in the past, on various industrial enterprises and on schemes of State Trading, in the Public Sector. The necessity of a specialised Commercial Audit Branch was felt acutely. Accordingly in 1951 a Commercial Audit Wing was formed in each Civil Audit office for conducting local audit of the accounts of Commercial concerns in which the Union Government or the State Governments had a controlling interest. The object was to build up in each Audit office suitable and adequate staff for conducting this kind of specialised Audit. A post of Controller of Commercial Audit was created in the Headquarters office of the Comptroller and Auditor General to co-ordinate the work of these wings.

The office of the Controller of Commercial Audit was separated from the office of the Comptroller and Auditor General from the 1st October,[69] 1955 and the post of Controller redesignated Director of Commercial Audit. He became responsible for the local audit of all Commercial undertakings of the Central Government (except Departmental Commercial units of the Ministries of Defence and Railways). The responsibility of the State Accountant General *vis-a-vis* the Director of Commercial Audit in regard to Central as well State Commercial concerns is dealt with in Chapter IX.

The general problem relating to the Audit of Public Enterprises is dealt with in Chapter XIV(D).

[69] Comptroller and Auditor General's Notification in the Gazette of India No. 7044 G.E./630-55, dated the 1st October, 1955.

(F) Public Works Accounts and Audit

Prior to 1775 the Public Works Branch of the Home Department under the East India Company was responsible for the administration of Public Works. In that year the Board of Ordnance took over the control of public works and in 1786 its successor the Military Board. From 1850 the business connected with civil works reverted to the Public Works Branch of the Home Department. In February 1855, a separate Department of Public Works was created to look after civil and military buildings, Irrigation, Communications and Railway matters. The Military Works Branch of this Department was gradually and increasingly militarised as regards s constitution since 1870. It was placed purely on a military basis and beme part and parcel of the Army organisation in 1899.

Prior to the year 1854,[70] the accounts of the Public Works Department were audited by the Military Board. This audit was effected by means of bills submitted by the Executive Engineer for completed works. Salaries were disbursed by Executive Engineers to themselves and their Establishments as they became due and were subject to post-audit by the Military Board. In 1854, the audit and control of the Public Works Accounts were transferred from the Military Board to the Chief Engineers of Provinces, and at the same time a radical change was effected in the system, disbursing officers being henceforward required to submit their detailed and original accounts with vouchers to be worked up by a Central Office of Account under the Chief Engineer and a monthly audit of expenditure was introduced as also pre-audit of salary bills.

The discussion on the subject of a separate Department for Public Works Accounts commenced with a letter from the Code Committee in September 1855, recommending the appointment of an Auditor of Public Works Accounts together with an Accountant to be placed under each Chief Engineer to relieve him of the superintendence of the compilation of Accounts. The Government of India in a despatch of the 14th December, 1855 recommended to the Hon'ble Court the appointment of an Auditor but did not consider the necessity for Accountants to be made out. The Court replied in a despatch of the 2nd July, 1856, concurring in the necessity for a separate audit of the Public Works Accounts, but proposing that the duty should be entrusted to the Civil Auditor. Towards the end of 1856, Major Stratchey was ordered to report on the state of the Central Offices of Account under the Chief Engineers of the Punjab, North Western Provinces and Bengal and the Canal Department, North Western Provinces. His report showed that the

[70] Report of the Civil Finance Commission No. 58, dated the 16th January, 1862.

Chief Engineers had been unable to manage their Central Offices of Account and the Canal Department of the North West Provinces was the only one of the four in which the new system had succeeded. In a despatch to the Government of India dated the 21st July, 1858 the Hon'ble Court, approving of the measures carried out on Major Stretchey's report, admitted the necessity of a certain amount of professional experience in the Public Works Auditor but still urged the necessity of the Auditor being a different person from the compiler of the Accounts. The Government of India recognised the need of uniformity of system in so complicated a matter as the Public Works Accounts.

In June 1858,[71] the Government of India in the Public Works Department appointed a committee consisting of Mr. Lushington, Secretary to the Government of India, Financial Department, Major Stratchey, Secretary in the Public Works Department, Mr. E. Drummond, Accountant General to the Government of India and Captain C. H. Dicksons, officer in special charge of the Account Branch of the Chief Engineers office, Bengal. The Committee found the existing state of the accounts very unsatisfactory; there was no uniformity of system throughout India and the executive and controller duties of the Chief Engineer were so onerous that the detailed management of accounts could not receive any sufficient attention from him. As observed in one of the later Resolutions of the Government of India, grave irregularities were almost the rule. The accounts of the disbursing officers were from six months to a year in arrears. General accounts of the provincial expenditure had no existence, at least the statements purporting to be such accounts were utterly unreliable. Arrears and unaudited accounts of several years standing were not unusual and the exception was punctuality and regularity.

The Committee recommended :

(1) There should be separate officers for the special charge of the accounts. These officers might conveniently be classed in grades corresponding with those already established in the Public Works Department, according to their abilities and responsibilities.

(2) These officers should be directly under the orders of the Government of India and liable to transfer from one place to another, as in the case of the Civil Accounts, which would secure uniformity of system and prevent the tendency to divergent practice.

(3) The Government of India itself might settle the agency in the Public Works Department for dealing with questions of account.

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[71] Government of India, Public Works Department No. 2547, dated the 2nd June, 1858.

The Government of India in the Financial Department[72] concurred in the views of the Committee, approved the Report and forwarded it to the Department of Public Works for further consideration and orders.

A plan was then proposed to form a separate Department for Public Works Accounts under the Government of India, with a Chief Inspecting and Controlling Officer attached to the Secretary in the Public Works Department to act in the capacity of an Under Secretary with a special charge of the Accounts Branch of the Department. This officer would have the salary and departmental rank of Chief Engineer of the 2nd class. Besides having a power of inspection and general control of matters of form and system he would have similar general powers in the matters connected with the Accounts of Joint Stock Companies working under Government Guarantee. He would also afford assistance to the Auditor General's Department in dealing with questions connected with the Accounts of the Public Works Department. Under him were to be Controllers or Deputy Controllers in charge of Public Works Accounts and Audit of each local Government, in grades corresponding to Superintending Engineer, Civil Architect and Executive Engineer according to responsibility. Subordinate officers in the Accounts were to be graded in the same manner with corresponding subordinates of the Public Works Department. The Controllers were to take the powers and duties of the Chief Engineers in matters of Accounts and Audit and were to relieve the latter from this branch of duty. They should examine the monthly accounts of the Executive Engineers and other disbursing officers of the Public Works Department. The Accountants of these Examiners were to follow the same course as all other Civil Accounts and undergo "concurrent audit by the Civil Auditor of the Local Government and come under the general audit of the Audit Department of the Government of India in due course. They would further fall under the final or appropriation audit by the Auditor General, Calcutta".

The implementation of the plan did not keep uniform pace in the 11 Administrations and the appointment of a Chief Controlling Officer for the distinct Public Works Accounts Department was itself in abeyance from May 1859 to July 1860 when the appointment of an Inspector of Public Works Accounts (later called Inspector General) was sanctioned on a staff salary of Rs. 1000 plus Presidency House Rent Rs. 600 per mensem, if a Military officer, and a salary of Rs. 1400 for a non-Military officer. Various rates for Controllers/Examiners for local administrations were also sanctioned. The

[72] Government of India, Financial Department No. 11062, dated the 5th November, 1860 read with Government of India, Public Works Department Notification No. 278, dated the 13th November, 1860 and Resolution No. 2111, dated the 4th June, 1862.

title of "Controller" was changed to Controller and Examiner by the Budget Committee acting in concert with the Finance Member in 1860.

A Commission of Enquiry[73] was set up to enquire into the system of Public Works Accounts and submitted its report in February 1864. Among others, it recommended :

(1) The formation of a principal Public Works Accounts Office under the Government of India to deal with the whole of the Public Works expenditure throughout India, and the appointment of an Accountant General in the Public Works Department;

(2) The introduction throughout India of a complete monthly audit of the whole expenditure on original accounts, the responsibility for preparation of the divisional accounts to be transferred from Controllers to the Executive Engineers;

(3) The formation of the Public Works Controllers into one body for the purpose of appointment and control; and

(4) The system of contracts to be extended as far as practicable.

An appointment of Accountant General on a salary of Rs. 2000 and an Assistant Accountant General on Rs. 1200 was thereupon sanctioned[74] and came into effect from the 1st May, 1864. A second Assistant Accountant General was also appointed from the same date. The post of Inspector General of Public Works Accounts was abolished. The accounts[75] kept by each Controller of Public Works Accounts with the Deputy Auditor and Accountant General for the Engineering and Disbursing Department were closed from the same date by transferring the balances as on the 30th April, 1864 from them to a new account opened in the books of the Accountant General Public Works Department to be kept by him under the new system of Public Works Accounts.

The title "Controller and Examiner" in use since 1860 was substituted by the simple term "Controller" in 1865.[76]

Revision of office arrangements in the Public Works Department of the Government of India in 1869 became necessary consequent on (*a*) the decision of Government for direct construction and ownership of Railways and

[73] Government of India, Public Works Department Notification No. 278, dated the 13th November, 1860. The Commission consisted of Messrs M.H. Foster, H.W.S. Whiffin, Lt. Col. W. Kendall R.E., Major G. Chesney and Capt. J.G. Ryhes R.E.

[74] Government of India, Financial Department Resolution No. 1880, dated the 9th April, 1864.

[75] Government of India, Financial Department Resolution No. 1326, dated the 19th July, 1864.

[76] Government of India, Public Works Dept. Proc. March 1865, No. 52.

for controlling more effectively the operation of old companies, and (*b*) the extension of irrigation works and the necessity for watching more closely their financial results. The Department was divided into four branches, *viz.*,

(1) Buildings and Road (Civil and Military)
(2) Irrigation
(3) Railway
(4) Accounts

The Accountant General was then appointed[77] Deputy Secretary to the Government of India in the Public Works Department in the Accounts Branch. His pay was also raised from the beginning of the official year 1870-71 to Rs. 2500 per mensem.

In 1876,[78] the title of Examiner of Public Works Accounts was substituted for that of "Controller of Public Works Accounts" with the usual modifications for the several ranks.

In 1889, certain revised rules[79] were laid down for the further recruitment of the establishment of the Superior Accounts Branch of the Public Works Department, and a competitive examination prescribed according to tests indicated in the Government Resolution. The results of these examinations did not, however, prove as satisfactory as was anticipated. In 1892, the Government of India decided that the entrance examination of the Superior Accounts Branch of the Public Works might, with advantage be assimilated to that of the Enrolled List of the Finance Department and that the scales of salaries of both establishments might be brought into accord. Orders were issued accordingly with the approval of the Secretary of State with effect from the 1st January, 1893.

The Department grew in size rapidly and salaries were revised from time to time. In 1870, there were 31 posts in the grades of Controller and Deputy and Assistant Controllers. In 1871, 4 posts were[80] added. By 1907[81] these

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[77] Government of India, Public Works Department Resolution No. 1513 E, dated the 17th September, 1869.

[78] Government of India, Public Works Department Notification No. 77, dated the 16th February, 1876.

[79] Government of India, Public Works Department Resolution Nos. 19A-E, dated the 25th January, 1889 and 36 A.E., dated the 9th February, 1893.

[80] Government of India, Financial Department Resolution No. 1371, dated the 4th March, 1871.

[81] Government of India, Despatch to the Secretary of State No. 117, dated the 28th March, 1907 and Secretary of States Despatch No. 29 P.W., dated the 17th May, 1907.

posts had increased to 88 distributed as follows :

	Senior Examiners	*Junior Examiners*	*Dy. & Assistant Examiners*	*Total*
Military Works ..	1	1	1	3
Railways ..	9	14	11	34
Telegraphs ..	1	1	1	3
Public Works ..	9	9	9	27
Absentees ..	..	..	14	14
Training ..	..	..	7	7
	20	25	43	88

In 1909, the Government of India had under consideration a scheme for the transfer to the Finance Department of the control of the audit of the revenue and expenditure of the Public Works Department. While the matter was still under their consideration they received the report of the Royal Commission on Decentralisation, paras 224 to 226 of which dealt with the subject. They read as follows :

"As already stated, we are in favour of the accounting and audit work in regard to Government monies, whether Imperial or Provincial, being in the hands of the Government of India; and we have no observations to make on the system under which work of this character connected with Public Works is consolidated under a special Imperial accounts agency, beyond stating that, in our opinion, this agency should, except perhaps as regards railway accounting where the work is of a specially technical description, be placed under the Finance Department of the Government of India, which already controls the accounts work in connection with the Army and with Post Offices.

"Nor should Local Governments be concerned as they now are to a certain extent, with matters relating to the appointment, promotion, and leave of Public Works accountants, and clerical staff for which they are not financially responsible. The officers of the subordinate accounts establishment might ordinarily be appointed and promoted by the local Examiner, and officers of higher rank by the Accountant-General in the Public Works Department, or by the Government of India, according to the character of the appointment.

"The Government of India at present requires periodical reports from local Governments as to the conduct and ability of the superior Accounts officers. These reports, which are largely drawn up by the Chief Engineers of the Provinces, are naturally a material factor in the future advancement of the officers concerned. Since the Examiners, as auditors, are independent of the Chief Engineers and Local Governments, and may even be compelled to criticise their actions, we think that this system is unsatisfactory, and we recommend that in future such reports be no longer required. The Examiners should submit reports on the officers who work under them, and the Accountant-General would have sufficient knowledge in regard to the Examiners themselves.

"We make the above recommendations in order to secure greater independence of audit for the transactions of a department which is responsible for a very large outlay of public money.

"We think, however, that the actual system of Public Works audit, which has been complained of by some officers as unduly rigid, especially in regard to such matters as vouchers and returns, might perhaps be simplified, though as in the cognate case of the Civil Accounts Department we are not prepared to express any definite opinion on the subject."

While the Government of India thought that the view of the Commission, that it was undesirable that Audit officers should in any sense be subordinate to the officers of the department whose accounts they audit, was by itself a sufficient reason for the transfer of control to the Finance Department, there were other grounds also to justify an alteration of the existing system.

(1) It led to duplication of work in the compilation of accounts, the preparation of codes and the promulgation of financial rulings, while at the same time it tended to obscure the true position of the Public Works revenue and expenditure as an integral part of the general finances of a local Government.

(2) A combined department would give to the officers a wider outlook and a more varied experience of accounts, and in offering a larger number of appointments for competition at the same time, a better class of recruits might be attracted.

The Government of India sought[82] the sanction of the Secretary of State to the following arrangements as the first step to the changes in the system of audit and accounts which should be carried out gradually in the light of the experience gained in the working of the combined offices :

[82] Government of India, Finance Department No. 57, dated the 3rd April, 1910.

(1) The transfer with effect from the 1st April, 1910 to the Finance Department of the general administrative control of the audit of the Public Works (including Railway) accounts; (2) the consequent redistribution of the staff of Accounts Officers employed in the Public Works Secretariat of the Government of India; and (3) an alteration in the status of the Railway Accounts Officers.

The functions of the Accountant General, Public Works as administrative head of the Public Works Branch proper would be exercised by the Comptroller General, who would carry on the work as he did similar work connected with the Civil Accounts Department, under the direction of the Finance Department. The Civil Accountants General would incorporate in their books, Public Works revenue and expenditure. The post of Accountant General, Public Works would cease to exist but one of two officers designated Assistant Accountant General should remain attached to the Public Works Secretariat for work of the Accountant General that would still remain with the Secretariat and rank as Assistant Secretary.

In view of the special nature of Railway audit and the great importance of Railway Finance, the Railway Accounts Branch would be under a separate and responsible head. The post of Railway Accounts Officer attached to the Railway Board would be abolished and an Accountant General, Railways created on Rs. 2500, the pay of a Civil Accountant General of the second class and of the Accountant General, Public Works. He would occupy as regards the Railway Board, the position occupied by an Accountant General to a local Government; he would advise them freely on all financial questions and would provide them with such information as they desired. He would not in any sense be under their control. As Accountant General he would be in immediate subordination to the Comptroller General in all matters connected with accounts and audit. He would deal with the Finance Department direct in the matter of leave and postings of the officers of his branch, who though remaining on the same cadre for purposes of promotion as the officers of the Public Works Accounts attached to the Civil Accounts offices, would form a separate list under his immediate control. He would be directly responsible to the Finance Department for the observance by the officers of his branch of all financial rules and regulations with which they were concerned, and for the maintenance of efficient audit of Railway revenue and expenditure. His relation with the Examiners of Railway Accounts would be that of a head of a department. The Examiners while maintaining the position of independent auditors of Railway Accounts, would apply for his advice and orders on doubtful points regarding the interpretation and application of Standing Orders. His deputy would inspect their offices. The

appointment of Accountant General would be in the first instance for two years.

As regards officers of the Superior Accounts Establishment, other than those employed on Railway Accounts, *viz.*, the Examiners, Deputy Examiners and Assistant Examiners of Public Works it was not proposed to make any considerable change in their position. It was intended that they should ultimately form an addition to an integral part of the Enrolled List of the Finance Department but complete amalgamation would be deferred till such time as it might seem possible to bring them on to the cadre of the Enrolled List without causing discontent on either side.

The pay of both those engaged on Public Works Accounts and Railway Accounts would be brought into accord with that prevailing in the Enrolled List with six months retrospective effect before effecting the changes in control from the 1st April, 1910, *i.e.*, from the 1st October, 1909.

These were approved by the Secretary of State.

The further history of the Railway Accounts is dealt with in a separate heading. The merger of Telegraph Accounts and with Postal Accounts and Audit under the Accountant General, Posts and Telegraphs from the 1st April, 1920 has also been dealt with in another heading. The Military Engineering Accounts was transferred to the Military Accountant General in 1920. Thus ended the office of the Accountant General, Public Works, after an existence of four and a half decades.

(G) Railway Accounts and Audit

The first Railway in the world was opened in 1825 in England between Stockton and Darlington. The East India Railway Company was formed in 1844 and the first line constructed and opened in India was from Bombay to Thana in April 16 1853 during Lord Dalhousie's Governor Generalship, followed in August 1854 by the line from Howrah to Raniganj and Madras to Arakonam in July 1856. All proceedings relating to Railways were dealt with in the Home Department. When a separate Public Works Department was created in February 1855, these functions were taken over by that Department.

In the early years the policy was for allowing Railway Companies of English domicile to construct and work Railways in India under a system of guarantees, which underwent modification from time to time with the expansion of Railways, under the supervision and control of Government which had powers to decide on various important matters including the form of accounts. The Consulting Engineer of Guaranteed Railways exercised

the necessary control and later local Consulting Engineers were appointed in the several Provinces. The procedure was that the accounts were closed half yearly in the Agent's office. The result was audited by the Consulting Engineer so far as such a process could take place without actual examination of the Railway Books. In 1860, it was proposed by the Consulting Engineer to the Government of Bengal, Railway Department, that the Consulting Engineer should personally examine the Railway Books on the closing of the half yearly accounts and see that all the charges were properly brought forward to Revenue or Capital as may be, making such special examination of the Books as was sufficient to satisfy him of the correctness of the balances deduced. This was approved[83] in September 1860 and also reported to the Secretary of State.

The audit of the Consulting Engineer under the above arrangement was for the most part, confined to the compiled account submitted by the Railway Company and had been based on a comparison between such expenditure and the authorisations on which it had been incurred. Expenditure unauthorised, or incurred in excess of the amount sanctioned had usually been rejected in audit, while a large amount of expenditure appeared never to have been submitted for audit at all. Thus on the East Indian Railway out of 20 millions sterling expended since its first commencement, 5 millions still remained in 1865 unaudited and thrown into what was termed "Inefficient Balance", thus greatly adding to the difficulty of the final settlement of account which had to be made between the Government and the Company. The state of things in the Calcutta and South Eastern Railway was no less unsatisfactory. There was an "Inefficient Balance" of 13¾ lakhs out of a total expenditure of 28¾ lakhs. It was apparent that the mere comparison of the accounts submitted with authority quoted, which was all that the Consulting Engineer could be expected to do, was not sufficient for the object in view and it was, therefore, desirable to substitute the actions of a regular Accounts Department which should be able to examine and ascertain the actual state of the accounts and see that no expenditure escaped scrutiny, that every item was booked under its proper heading and that all irregular or unauthorised expenditure was at once detected and brought to notice. This duty was placed on the office of the Accountant General, Public Works Department in 1864, when that office was first established[84] and an Assistant Accountant General was appointed to it mainly for Railway Accounts. A

[83] Government of India, Public Works Department Resolution No. 68, dated the 19th September, 1860.

[84] Government of India, Public Works Department Resolution No. 4A, dated the 24th March, 1864.

commencement of this new audit was made in February 1865 on the accounts of the East Indian Railway and was later to be extended to other railways. Thus the accounts of each Railway Company would undergo examination by an Examiner appointed by Government sitting in the Railway offices and conducting his duties as a member of the Consulting Engineer's Establishment. The Government of India desired[85] that each Railway Company should have its own independent audit of its accounts by an officer of the Railway Company and the functions of the Government Auditor should be confined to a tracing of the result of the company system through the books, in short to seeing that the Railways kept their accounts properly. Once every year an officer from the Accountant General's Department should visit each Railway and declare the state of the audit and of the account between the Government and the Company.

In 1865, the Secretary of State enquired whether the audit as above established had been considered sufficient for Government purposes, rendering a post-audit by the Consulting Engineer unnecessary. The Government of India after completing the arrangements in all railways reported that additional post-audit by the Consulting Engineer was unnecessary and had been or would be stopped on the various railways.[86] In 1866,[87] rules for conducting the examination and audit of Railway Accounts were approved. Since Examiners of Railway Accounts were to exercise their duties under the directions of the Consulting Engineers, the duties of the Accountant General, Public Works Department, as immediate Auditor of these accounts ceased and got limited to the maintenance of a record of Railway receipts and expenditure in the manner indicated by the Rules, and to a general supervision of the working of the system and the Railway Accounts by a system of inspections of the offices of the different Railway Companies and Consulting Engineers.

In connection with the posting as Examiners of Railway Accounts for Madras, Bengal and the Punjab of three Royal Engineers in 1866 by the Government of India, the observations of the Secretary of State[88] would be of interest. He said that he felt considerable doubts whether it was for the public advantage to employ Engineer officers on business connected with

[85] Government of India, Public Works Department Resolution No. 482-9A, dated the 30th May, 1865.

[86] Government of India, Public Works Department, Despatch to the Secretary of State No. 81, dated the 20th August, 1866.

[87] Government of India, Financial Department Resolution No. 2558, dated the 28th September, 1866.

[88] Secretary of States Despatch No. 105, dated the 24th December, 1866.

accounts and audit. The effect of it must apparently be to draw off Engineer officers from official duties of their own department, for which their services were urgently required, and which none but an Engineer officer could perform, in order to employ them upon business which would be more efficiently done by a trained Accountant.

The audit of the transactions of the Guaranteed Railway Companies which was part of functions of Consulting Engineers assisted by Examiners of Accounts began to be conducted[89] from 1871 by officers working directly under the Accountant General, Public Works Department.

In 1869, the Government of India adopted a policy of direct construction and ownership of Railways and also proposed to control more effectively the operations of the old companies. Reference has already been made in dealing with Public Works Accounts and Audit of the re-organisation of the Public Works Departments and its division into four branches, including the Railway Branch. This Branch was placed under a Deputy Secretary.[90] In 1874 owing to the growth in the work, the duties of the Chief in executive control of the State Railways were entrusted to an officer designated "Director of State Railways". In 1879, a Director Generalship of Railways was created as part of the Secretariat. In 1905, the Railway Board was established under the Government of India, Department of Commerce and Industry. In 1908, the Railway Board and its staff became collectively the Railway Department, independent of and distinct from the Department of Commerce and Industry.

It has already been stated that the post of Accountant General, Public Works Department was abolished and a post of Accountant General, Railways was created from the 1st April, 1910. The arrangements which were for two years were confirmed in 1912.

In July 1910, the Government of India delegated[91] to the Comptroller General the authority, which they had till then exercised, finally to dispose of all questions relating to the posting and the transfer of, and the grant of leave of whatsoever kind to officers of the former Superior Accounts Branch of the Public Works Department (including those employed on Railways) and Chief Accountants, except in regard to the Accountant General, Railways and the Assistant Secretary to the Government of India in the

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[89] Government of India, Public Works Department Resolution No. 6691-R, dated the 30th October, 1971.

[90] Government of India, Public Works Department Resolution No. 1513-E, dated the 17th September, 1869.

[91] Government of India, Finance Department Resolution No. 3840 F.O. & A., dated the 23rd July, 1910.

Public Works Department.

In 1911 and 1912, certain measures[92] were adopted by the Government of India to secure the independence of the Railway Audit and Accounts staff. Some powers were centralised in the Government of India, Financial Department and others were delegated to the Comptroller General, Accountant General, Railways and the Examiners.

In 1913,[93] the designation of the Examiners of Accounts, (1) North Western Railway, (2) Eastern Bengal State Railway, and (3) Oudh and Rohilkhand Railway was changed to Chief Examiners and their pay raised. In 1915, the question of the scope of the audit control which should properly be exercised by Government Examiners over the accounts of companies' lines was reopened as certain measures adopted in 1907 by Lord Minto's Government were tending to additional costs of establishment with the development of the Railways. Three main[94] principles were laid down for the purpose of determining the limits of the Government Examiner's duties *viz.*: (1) to restrict the activities of the Government Examiners as much as possible to those points at which the interests of the Government diverge from or are antagonistic to those of the companies; (2) to ensure that new rules issued by Government were brought into force, and if necessary to explain their purpose; and (3) to ensure by a moderate degree of supervision and test-audit, a certificate from Government Examiners that the system of accounts was sound and that the work on the whole being carefully done, the necessity for this consisting in the fact that even where the interests of Government and those of the company were identical, the former interests undoubtedly predominated.

A detailed system of audit based thereon was approved by Government's Railway Advisers. Apart from the economies secured by the revision of functions and organisation, the new arrangements were expected to reduce the volume of audit without impairing efficiency.

In 1918,[95] the designations of Chief Examiners of Accounts and other junior officers employed in State Railway Accounts offices were changed to "Chief Auditors", "Deputy Auditors", "Assistant Auditors" and "Assistant

[92] Government of India, Finance Department Resolution No. 4986 F.E., dated the 21st August, 1911.

[93] Government of India, Finance Department Endorsement No. 1107-F.E., dated the 20th September, 1913.

[94] Government of India, Despatch to the Secretary of State No. 19, dated the 8th January, 1915.

[95] Government of India, Finance Department letter No. 596-F.E., dated the 20th May, 1918.

Audit Officers". The earlier designations, it was thought, did not correctly describe the real functions of the Department. Moreover, the term "Examiner" was usually applied in railway service especially to duties of an inferior and subordinate class, *e.g.*, ticket examiners and carriage examiners.

In 1919, the Chief Auditorships of the North Western Railway and the Eastern Bengal Railway were included in the cadre of Accountant General from the same date as the conversion into Accountant Generalship of the posts of the Comptroller, Central Provinces, and the Comptroller, India Treasuries, *viz.*, the 21st August, 1919. The Chief Auditorship of the Oudh and Rohilkhand Railway was absorbed into Class I of the General List with duty allowance of Rs. 200 per mensem from the same date.

Separation of Railway Audit and Accounts

The Committee on Railways appointed after the Reforms of 1919 and presided over by Sir William Acworth recommended, among other things, the separation of railway finance from the general budget, the re-organisation of the Railway Board and the management and construction of railways by state agency. They made the following observations in regard to the system of accounting in Railways:

> "There are however, important respects in which the existing organisation does not provide for the exercise of adequate supervision and control over the railways. Economical railway management cannot be ensured without a proper system of railway accounting. Apart from mere audit check of receipts and disbursements a railway requires a large number of financial returns of various kinds; not in order to say whether expenditure incurred has been duly authorised, or receipts duly accounted for, but to say whether retrenchment of habitual expenditure is possible under one head, whether new expenditure under another is proving profitable, or even whether a large expenditure would be likely to be fruitful, and so on. These are not matters to be left to an outsider. A practical railway man who knows what he is doing in the present and what changes he is meditating for the future, is alone competent to prescribe and to make use of returns of this kind. But the accounting staff controlling the Indian Railways from the Accountant General, Railways at Delhi down, in the case of the State managed Railways, to the latest joined clerk in a local office, are officials not of the Railway Board, but of the Finance Department. No doubt these officials gradually get to see the railway point of view, but they

must be guided by the rules laid down by the Finance Department framed largely in view of the requirements of non-commercial departments of Government.

"At present the Railway Accounts are very complicated, some portions are produced in different forms for the use of the Railway and the Finance Department. And when as has happened in the case of the Committee, enquiries are based on the statements made in the Railway Administration Report, and reference is made to the corresponding portions of the Finance and Revenue Accounts of the Government of India, there is great difficulty in reconciling the two sets of figures. We are quite sure that, if the whole matter were under the control of a single department, simplifications could be introduced which would not only make the accounts more intelligible, but result in considerable saving of expenditure. The Report of the Auditor General would continue to be available as at present to secure the financial rectitude of the Railway administration.

"We recommend that the Railway Department should be responsible for its own accounts. We do not exclude, of course, such independent and separate audit as the Government of India may think proper to make, on the same principle that obtains in any commercial company, where the shareholders appoint an outside firm of accountants to check and report on the books which are kept by the servants of the directors, the ordinary accounting staff. We think also that the present form of account should be examined and reported on by experienced Railway Accountants conversant with modern practice in England and America."

The recommendations of the Committee were considered by the Government of India in consultation with the Auditor General and in a Memorandum placed before the Standing Finance Committee for Railways in June 1925, the Railway Board stated, *inter alia*:

"The fundamental principles of audit are very few, and the minuteness of the present check over the transactions of the Railway Department, against which the Acworth Committee made complaints, is mainly due to the minuteness of the detailed rules propounded by the superior railway authorities. It is essential that the necessity and the fruitfulness of such rules should be tested and determined by the financial authorities with the Railway Board and staff which are working under them. To enable the Financial Commissioner on Railway Board to discharge his duties efficiently, he must have on each railway system a staff which will be responsible to him for seeing that orders from headquarters are obeyed, and for recommending changes in the rules and instructions

whenever these are found to be giving rise to unnecessary trouble or not to be producing the effects for which they were intended."

When moving a Resolution in the Legislative Assembly on this subject in September 1925, Mr. Sim, the Financial Commissioner, Railways stated:

"....This House, Sir, now votes the demand under every head and it is necessary that a definite responsibility should therefore be laid upon definite spending authorities to justify any excess over the grants voted by the Assembly. Under this convention, therefore, it is the primary duty of the Railway Board and of the Financial Commissioner for Railways working under the Finance Member to see that the results required by that convention are obtained, to see that no financial irregularities occur and to justify the expenditure incurred year by year. The powers of expenditure vested in the Railway Board are delegated to Agents to a considerable extent and the Agents in turn delegate powers of expenditure to heads of departments and other responsible subordinate authorities. Now, Sir, if these authorities are to be made responsible to this House, to the Standing Finance Committee for Railways and to the Public Accounts Committee for the expenditure that they incur during the year, it is absolutely essential that they should be made responsible for maintaining the accounts.

"Under the proposals now before the House...you will get rid of most of the disadvantages of the present system. The Railway Board and the Agents controlling their own system of accounts and their own accounts agency will be able to ensure that their accounts are maintained and compiled in a manner suitable to a commercial department and at the same time in a manner which will enable them to satisfy this House that they have discharged their responsibility for the proper application of the funds voted by the Assembly;...

"It is not intended that the accounting officer in the railways should be mere critic of the Railway administration. As head of the accounting department of a Railway he will be responsible that the accounts are properly compiled, and compiled in a manner that will enable the Agent and other officers to discharge their obligations. At the same time there will be certain functions that the accounting staff will have to perform that might bring them into conflict with the Agent. The accounts officers will be responsible to the Financial Commissioner for seeing that the orders issued from headquarters are properly observed. In some of those cases, there may be a difference of opinion between the Agent and the accounts officers as to that the intentions of the higher authorities are, and for such circumstances we have

provided that, while the accounts officer, has to take the orders of the Agent, he will take written orders which will explain why the Agent disagrees with the accounts officer and all the papers relating to any such disagreement will be immediately forwarded to the Financial Commissioner for Railways for decision.

* * *

"There are some minor matters, Sir, on which misapprehensions appear to exist in the minds of some honourable Members judging from the nature of the amendments which have been put down in connection with this Resolution. Most of these amendments are for the purpose of securing that the accounting officers shall not be in any way prejudiced in carrying out their duty of enforcing orders issued by the Financial Commissioner by any unnecessary subservience to the Agent. I should like to explain clearly that it is the intention of the Government that the officers in the accounting department should have their prospects, promotions, reversions, etc., determined not by the Agent but by the Financial Commissioner."

During the debate on this Resolution the Honourable Finance Member, Sir Basil Blacket said:

"....We are not proposing to make the Railway Department responsible for their account; we are proposing to make the Financial Commissioner with a staff under him, that staff being responsible ultimately to the Finance Department, responsible for the accounts of railways...."

After a prolonged debate the following Resolution was passed by the Assembly:

"(*a*) The Auditor General shall in future be responsible for audit alone. He should no longer be required to maintain the accounts of the railways or to control their accounts staff. Such control should pass, not to the Railway Board as such, but to the Financial Commissioner of Railways. On each railway system the accounting staff will be under the orders of the Financial Commissioner of Railways for the purpose of appointments, promotions, transfers, etc., reporting however, to the Financial Commissioner any differences that may arise from time to time between himself and the Agent. Such differences shall in due course be made available for inspection by Standing Finance Committee for Railways."

An experimental system was introduced in the East Indian Railway

from the 1st December, 1925. The accounting staffs were placed under the Financial Commissioner, Railways. A Railway Clearing Account office was also established at Delhi from the same date. An Audit office was created with the separated Accounts office. The experiment was declared a success. It was pointed out that the closing of account had been made possible in a shorter period and even after allowing for cost of audit establishment, economies in expenditure had been secured. The Auditor General pointed out that the experiment had not proved that the benefit of the separation scheme could not have been obtained by the combined Audit Accounts officers but admitted that, barring hypothetical conjectures, great improvements and savings had been effected by the separated Account office in so short a time.

In 1927, Sir Arthur Dickinson had recommended that transfer of Railway Accounts to the Railway Board on all Railways and that, to avoid divorce of accounts from operation, the principal accounting officer of each State Railway, though appointed and removable by the Railway Board only, should be under the control of the Agent and responsible to him for all accounting functions including internal check of receipts and expenditure.

In August 1928, the approval[96] of the Secretary of State (Lord Birkenhead) was obtained to the Government of India placing before the Standing Finance Committee for Railways, the proposal to adopt as a permanent measure the system of separation of Accounts from Audit on Indian Railways with a view to obtaining the acceptance of the proposal by the Legislative Assembly. On the recommendation of that Committee the proposal was brought before the Assembly through the medium of a supplementary grant under the head "Audit" for the year 1928-29. The motion in the Assembly was after full discussion adopted without division. The sanction of the Secretary of State was obtained thereafter.[97] He accepted the recommendations for the appointment of a Controller of Railways Accounts over the Chief Accounts Officers of Railways and for a Director of Railway Audit over Chief Auditors.

The constitution of a Railway Accounts Service on terms and conditions specified was sanctioned. This involved creation of 7 posts above the rank of Deputy Chief Accounts Officer and 9 posts of Deputy Chief Accounts Officers, certain reservations to protect the rights of officers of the Indian Audit and Accounts Service who joined the service before the 1st January,

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[96] Secretary of States Telegraph No. 2439, dated the 28th August, 1928.

[97] Government of India, Despatch to the Secretary of State No. 1 Railway, dated the 31st January, 1929 and Secretary of States Telegraph No. 1093, dated the 28th March, 1929 and India Office letter No. F. 2408/33 Financial, dated the 24th of May, 1933.

1930 were approved. The strength of the Indian Audit and Accounts Service was revised and certain "shadow posts" created. The attachment of special additional pensions to the new posts under the appropriate schedule appended to Art. 475A of the Civil Service Regulations was sanctioned. The terms under which Indian Audit and Accounts Service officers would serve in the Railway Accounts Department were specified. Annual recruitment to the Railway Accounts Service was to be through the same competitive examination conducted by the Public Service Commission for the Indian Audit and Accounts Service, Military Accounts and Customs Services.

The principles on which the "shadow" posts in the Indian Railway Accounts Service were to be borne on the cadre of the Indian Audit and Accounts Service were laid down in the Railway Department Despatch to the Secretary of State of the 31st January, 1929 as follows: Four posts of Deputy Chief Accounts Officers and two posts above the rank of Deputy Chief Accounts Officers in the Indian Railway Accounts Service would be reserved for members of the Indian Audit and Accounts Service until all officers who entered the latter service prior to the 1st January, 1930 and who were considered qualified for promotion had been so promoted. When the sum of the reserved posts and of the selection posts remaining in the Indian Audit and Accounts Service became greater than the number of officers appointed to the Indian Audit and Accounts Service before the 1st January, 1930 who were regarded as fit for promotion to such posts but had not received substantive promotion thereto, there was to be a corresponding reduction in the number of reserved posts and corresponding shadow posts. Under this arrangement the last of the shadow posts in this category was surrendered with effect from the 11th September, 1956. There were also 10 shadow posts in Class II of the Service. One post was reduced in 1938 and the remaining posts were reduced at the rate of one post every year commencing from the 1st April, 1940.

The Scheme was introduced,[98] on the 1st April, 1929. An order was also made by the Secretary of State in Council declaring with reference to Rule 25 of the Auditor General's Rules framed under Section 96D(1) of the Government of India Act, 1919, that the responsibility for the maintenance of the Accounts of the Railway Department was transferred to the Financial Commissioner, Railways.

The Accountant General, Railways ceased to exist as such with effect from the 1st April, 1929. The audit side of the work was taken over by the

[98] Government of India, Finance Department Notification No. 2323-R.II, dated the 4th April, 1929, Gazette of India, April 1929, Pt. I, p. 418.

Director of Railways Audit who was also allowed to exercise in respect of the Railway Audit offices all the administrative and financial powers which were previously exercised by the Accountant General, Railways.

Control of Railway Accounts Officers

The question whether the Chief Accounts Officers of Railway should be under the control of the Agent was subject to discussion over a number of years. The Acworth Committee had recommended that the Railway Department should be responsible for its accounts. Sir Arthur Dickinson had recommended that the Accounts Officer should be under the Agent and responsible to him for all accounting functions including internal check. The Railway Retrenchment Sub-Committee of 1931 had recommended the transfer of control of the subordinate accounts staff (as distinguished from the superior staff) from the Controller of Railway Accounts to the Agents concerned; which however the Public Accounts Committee did not accept. The Pope Committee considered that the Chief Accounts Officer could not take his proper place in the organisation unless he was under the Agent subject to such reservations as may be necessary regarding statutory control. The Railway Enquiry Committee (Wedgewood Committee) endorsed that recommendation and added that following the British Railway practice, and the recommendations of previous railway committees in India, the Chief Accounts Officers and their staff on State managed Railways should be definitely regarded as being responsible to the respective Agents, permission being granted to them to correspond direct with the Financial Commissioner of Railways in matters of finance—but with the knowledge of the Agent. In 1938, the question went up to the Public Accounts Committee. The Auditor General said that he saw no harm if an experiment was tried in two Railways but could not support a wholesale change to the proposed system. The Public Accounts Committee agreed with the Auditor General and the experiments were tried in the North Western and Great Indian Peninsular Railways from the 1st November, 1938. In 1940, the Public Accounts Committee approved of the extension of the system to other State Railways as and when it was found suitable to introduce the change. In 1941, the office of the Controller of Railway Accounts was amalgamated with the Railway Board.

The Indian Railway has been grouped into nine zones for economy and efficiency. The Railway Accounts and Audit systems follow this pattern and deal with the country's biggest nationalised undertaking which is also the second largest railway network in the world under a single management, with a total route length of over 57000 kilometers.

(H) Postal and Telegraph Accounts and Audit
Postal Accounts and Audit

Genesis and Early Growth

Up to 1833 there was no organised postal system in India under the East India Company. Mail runners were kept for Government purposes along main lines of communication but the use of this post by private individuals was conceded only as a privilege and on payment. In 1837, a general postal service was initiated and had the exclusive right to carry letters on payment in cash. In 1850, a commission examined the postal system of the East India Company and this led to the establishment during the Governor Generalship of Lord Dalhousie of a uniform cheap postage in India of half an anna for a letter weighing not more than half a tola and quarter of an anna for a post card. Cash payment was substituted by stamps. In the same period 753 post offices were opened and the postal system placed under a Director General. His Governor Generalship is also memorable for the introduction in India of the electric telegraph and mearly 4000 miles of line had been laid before his departure.

In 1860, the position was that the Post Masters General, Bengal, Madras, Bombay and North Western Provinces had small accounts establishments costing in all Rs. 1180 per mensem and all bills of the Post Office Department were audited in the respective Civil Auditor's offices. In June 1860, the Director General of the Post Office in India recommended that a Central Office of Account for the Post Office should be established as part of his own office and that Post Masters General and provincial Accountants should be wholly relieved of post office account work. The proposal was referred to the Budget and Audit Committee (to which reference has been made in Chapter II) and on their recommendation the establishment of a Central Account Office was sanctioned[99] under the charge of an officer designated Compiler of Postal Accounts on Rs. 700 per month. He was allowed for his accounts branch a small staff of 2 head clerks, 4 clerks, 1 daftry and 2 peons at a total cost of Rs. 1030 per mensem. The Budget and Audit Committee had also recommended that the Compiler of Postal Accounts should audit all bills of the Post Office Department as had previously been done in the Civil Auditors' offices and he was, therefore, allowed for his audit branch 5 clerks at a total cost of Rs. 270 per mensem. This is how a Centralised Postal Audit and Accounts Establishment started under the Director General of the Post Office

[99] Government of India, Financial Department Resolution No. 4398, dated the 19th April, 1861.

of India. The Budget and Audit Committee had also recommended the appointment of an independent Examiner for the audit of the accounts of the Post Office and Electric Telegraph and the appointment of a fourth Assistant to the Auditor General for the purpose on a scale of pay of Rs. 700—25—800 was proposed for the purpose with an office establishment under him at a cost of Rs. 500 a month for each of two Departments of Posts and Telegraphs. He could be given charge of such other duties in the office as he might be able to undertake in addition to his special duties as Auditor of the Postal and Telegraph Departments in subordination to the Auditor General. The Government of India approved of the proposal.[100]

From the small beginnings indicated above, the office of the Compiler Post Office Accounts, arew rapidly. In 1867,[101] the Compiler's pay was raised to Rs. 800—50—1400. In 1877, it was again changed to Rs. 800—80—1200. The designation was changed to Accountant General to the Post Office in 1880[102] and again altered to Comptroller, Post Office in 1881.[103]

In 1880, the system of Travelling Examiners of Accounts was introduced. Reports of Examiners were till 1886 submitted to the Comptroller and reviewed in his office by an Examiner specially placed at his disposal for the purpose. In 1886, this work was transferred to headquarters of circles and Comptroller's office ceased to have any share in the work.

From 1877 the value payable system was undertaken by the Post Office. Prior to 1880 the transmission of inland money orders had been undertaken to a limited extent by district treasuries. There was a Controller General of Money Order Offices, till its abolition in 1871 on the transfer of control to the Comptroller General. An appointment in the third class of the Financial Department (Rs. 600—800) was added to his office for the purpose. In 1880, the Post Office took over this work and an Inspector of the 1st grade on Rs. 400—20—600 was added to the Comptroller's Office in January 1880. The growth of business was so rapid that in September 1880 the pay of the Comptroller's assistant was proposed to be raised to Rs. 700 per mensem and received the sanction of the Secretary of State. He was designated Deputy Comptroller General. Savings Bank business was undertaken by the Post office in 1883. An Assistant Comptroller on a pay of Rs. 500—20—600 was sanctioned in November 1883 for the purpose.

A scheme of life assurance and annuities was started in 1884 for the

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[100] Government of India, Financial Department Resolution No. 8302, dated the 2nd July, 1861.

[101] Government of India, Financial Department No. 360, dated the 31st October, 1867.

[102] Government of India, Financial Department No. 2301, dated the 17th August, 1880.

[103] Government of India, Financial Department No. 36, dated the 6th January, 1881.

benefit of Postal servants and was extended to the Telegraph Establishment in 1888 and to other Civil Departments ten years later. Further in 1883, the Post Office undertook the receipt and transmission of telegrams at places where there was not sufficient traffic to justify an independent telegraph office and the majority of the telegraph offices in India are thus combined with post offices. Thus to the original postal work were added the business relating to Money Order, Savings Bank, Value Payable Post, Insurance, Life Assurance, Sale of British Postal Order, and business of combined Postal Telegraph Offices. By 1889 the Comptroller's office had three distinct branches, *viz.*

(1) The Account and Audit Branch proper,
(2) The Money order Branch, and
(3) The Savings Bank Branch and had grown to the following size:

		1861	*1889*
Comptroller	..	1	1
Deputy Comptroller	..	..	1
Assistant Comptroller	..	..	1
Clerks	..	18	594
Daftries, Peons, etc.	..	3	56

In 1889, the Director General proposed that the pay of the Comptroller should be raised to Rs. 1000—80—1400 per mensem and that the Comptroller should be placed directly under the Finance Department, the appointment being brought on the Enrolled List of the Account Department. The Government of India was not agreeable to the alteration in pay but considered[104] that the other change was a desirable one and accordingly directed that the Comptroller, Post Office and his office should be placed under the control of the Comptroller General and of the Finance Department, in the same manner and to the same extent as the Civil Accountants General and Comptrollers and their offices. The Director General would occupy towards the Comptroller the same position as Local Governments and Administrations did towards the Accountant General or Comptroller of the Province. The Government, however, did not think it desirable to place the Comptroller, Post Office and the gazetted officers under him on the general Enrolled List of the Account Department, "as the audit and account work of the Post Office is of a special kind". These officers were to be appointed by the Government of India but would remain on a separate list from that of the Civil Account Department.

[104] Government of India, Department of Finance and Commerce Resolution 5548, dated the 28th October, 1889.

Decentralisation

Up to 1899 the whole of account and audit work of the Post Office of India was done in the office of the Comptroller of the Post Office in Calcutta. The work consisted of: (1) the audit and compilation of accounts rendered by Post Offices, (2) the Audit of money orders issued and paid, (3) the audit of receipts and repayments of Savings Bank deposits, (4) the management of the Post Office Life Insurance Business, (5) the purchase and sale of Government securities for Savings Bank depositors, (6) the adjustment of exchange accounts with other account offices, (7) the preparation of the Post Office budget, and (8) other miscellaneous work which usually devolves upon an account office.

In the year 1900, the first three classes of work with the exception only of that connected with inter-provincial money orders were decentralised and three separate offices were formed each under a Deputy Comptroller at Calcutta, Nagpur and Delhi. The Comptroller at Calcutta retained in his hands only the work of the remaining classes, the audit of inter-provincial money order, the consolidation of the accounts of the whole department from classified accounts compiled in the offices of the Deputy Comptroller, and the supervision and control of the three Audit offices mentioned above.

The chief reasons for decentralising the work were: (1) that the amount of work in the Comptroller's office was so enormous that it was practically beyond the powers of the Comptroller to supervise it efficiently or to control the large establishment employed to deal with it, and (2) that the system under which the work was concentrated in the Comptroller's Office was wrong in principle and was attended with serious risk, because accounts were received in the Office from such distant places as like Gilgit on the North, Tuticorin on the South, Bagdad and Bushire on the West, and Tavoy and Mergui on the East. It was stated that in many cases it took weeks for the accounts from the Post Offices concerned to reach the Comptroller's Office at Calcutta.

Under this decentralisation Scheme head post offices were required to submit their accounts in full to the circle audit officer concerned with the necessary schedules and vouchers, only inter-provincial money orders with their lists being forwarded to the Comptroller's Office direct for the purposes of detailed audit and debit check. The local Audit Offices were thus made the original audit and account offices and as such were required to prepare a consolidated abstract for each postal circle and to send it to the Central Office at Calcutta, in order to enable it to consolidate the postal accounts for all India. The Comptroller was thus relieved of all original work except in regard to inter-provincial money orders and life insurance. The work

connected with the purchase and sale of Government Securities was at this time practically done by the Comptroller General himself.

In 1904, a further step was taken in the decentralisation of the Postal Accounts Department.[105] Up to this time money order work was done partly in local Audit offices and partly in the Central Office based on a distinction between circle money orders and inter-provincial money orders, but after this year this distinction was abolished and the whole of this work completely decentralised in the local Audit offices. The Savings Bank Department of the Bengal circle Audit Office was transferred to the Central Office.

By 1907 the local Audit office at Nagpur had grown to a considerable size and it was found absolutely necessary to split up the Nagpur Office into two offices and to transfer the whole of the work connected with the Madras circle to Madras. A new office was accordingly formed at Madras in February 1908.

It has been stated earlier that the pay of the Comptroller was altered in 1877 to Rs. 800—80—1200 a month. This continued up to 1889. Then after a period of 5 years during which the post was held for special reasons by an officer of the Indian Civil Service, the pay of the post was fixed at Rs. 1,500 and it was decided[106] that the appointment should be transferred to the Enrolled List of the Finance Department as soon as a vacancy occurred in Class I of that List. Accordingly in February 1905, when the post of Director General of Statistics was removed from the Enrolled List, the Comptroller, Post Office was brought[107] on to the cadre of that service. It was, however, not considered necessary that the Comptrollership should be actually filled by an officer in Class I of the General List and no special reservation was made in this respect when the Department was re-organised on the time scale principle in 1906. It was decided in 1909[108] that whenever an officer whose pay in the time scale was less than Rs. 800 a month was appointed to discharge the duties of the Comptroller for more than two months, the Government of India could grant as a personal allowance, the amount by which the pay fell short of that amount.

The distribution of work among the local Audit offices was then as follows: The Calcutta office dealt generally with the Bengal, Eastern Bengal and Assam and Burma circles; the Delhi Office with the Punjab (including North West Frontier Provinces) and United Provinces circles; Nagpur with

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[105] Government of India, Finance & Commerce Department letter No. 2727-A, dated the 6th May, 1904.

[106] Secretary of States Despatch No. 41 (Financial), dated the 28th March, 1902.

[107] Secretary of States Despatch No. 31 (Financial), dated the 24th March, 1905.

[108] Secretary of States Despatch No. 101 (Financial), dated the 3rd September, 1909.

the Bombay and Central Provinces Circles; and Madras with the Madras Circle; but the Savings Bank accounts of the Bengal and Burma group was with the Central Office in addition to miscellaneous work such as Postal Life Insurance, etc.

In 1908, the attention of the Government of India was drawn by a demand for increase in establishment in the Postal Accounts and Audit Department to the continued growth of expenditure in that Department and they thought it desirable to[109] appoint a Departmental Committee to examine possible methods of simplifying procedure and reducing work as far as this could be done consistently with efficiency and economy. The Committee consisted of the Messrs K. L. Datta of the Finance Department (he was Comptroller, Post Office and was placed on deputation for the purpose) and W. E. Chard, Assistant Director General of the Post Office. The results of their investigation were embodied in a report dated the 1st October, 1909. The Committee suggested numerous improvements in the various branches of work performed in the Postal Audit Department. On a major issue, *viz.*, decentralisation of work that had been effected from 1900 to 1908 as described earlier they took exception in principle. They thought that economy and efficiency could both be secured by a reconcentration of the establishment in Calcutta. The Government of India[110] could not accept this recommendation and pronounced unhesitatingly in favour of the principle of decentralisation. A corollary to this principle was that each audit office should be self contained and should do all the audit work of the postal circles with which it was concerned. The following changes were effected, *viz.*, the Savings Bank work done in the Central Office was transferred to the offices dealing with the circles concerned, secondly, the money order work of the Bombay and Central Circles was transferred from Delhi to Nagpur. It was also decided to transfer the work of the Burma Circle to Madras, where it remained till the separation of Burma following the Government of India and Burma Acts, 1935.

Telegraph Accounts and Audit

The operations of the Telegraph Department developed side by side with the Post Office. Prior to 1863, the accounts rendered by Superintendent of Telegraph Circles were collected in primary compilation by the Compiler

[109] Government of India, Finance Department Resolution No. 436 Ex., dated the 22nd January, 1909.

[110] Government of India, Finance Department Resolution No. 72, dated the 22nd May, 1912.

of Telegraph Accounts under the Director General, Telegraphs and then recast by the fourth Assistant Auditor General into the form required for the returns of the Auditor General. Each of these officers subjected the charges to a detailed audit, the Compiler on the part of the Director General and the Assistant Auditor General on behalf of the Finance Department. In 1863 certain revised arrangements were decided upon. All cash expenditure of the Telegraph Department, except that for the construction, re-construction, or repair of lines, would be audited by the Civil Pay Masters of the Presidencies and Provinces, where the Telegraph Establishments were serving and be thus subjected to the same rules of pre-audit as other civil expenditure. For expenses on construction and repairs, Superintendents of circles would be given monthly letters of credit by the Accountant General on the Treasuries against which the Superintendent could draw money and for that he should render a monthly account to the Accountant General, which would also include receipts of the Department credited into the Treasury. Bills for completed work should be submitted by the Superintendents of Circles to the Accountant General, who should, after carefully scrutinising them, forward them to the Director General for approval before final adjustment. The post of Compiler of Telegraph Accounts was abolished from the 31st May, 1864. The work of compilation of Telegraph expenditure was entrusted to the Auditor General's office.

In 1865,[111] the Government of India sanctioned a re-organisation of the Electric Telegraph Department and among other arrangements, the creation of a Central Office of Account and the transfer of the account work of the Department from the offices of Superintendents and other officers to that office. The Compiler of Telegraph Accounts was at the head of this new officer and had[112] 29 assistants, accountants and clerks and 5 servants. He functioned under the Director General of Telegraphs. The audit of telegraph accounts was done in the office of the Comptroller General.

From the 1st May, 1870[113] the control of the Telegraph Department was transferred to and vested in the Public Works Department of the Government of India. The Government of India further ordered that the accounts of the Telegraph Department be also transferred to the Public Works Department. This was done with a view to securing a more complete and efficient

[111] Government of India, Financial Department Resolution No. 3716, dated the 30th December, 1865.

[112] Government of India, Financial Department Resolution No. 567, dated the 19th May, 1866.

[113] Government of India, May 14, 1870, p. 311, Foreign Department, Telegraph Notification No. 422, dated the 30th April, 1870.

audit than that to which the accounts were being subjected and a better administration of the Telegraph Department, by rendering the accounts suitable to administrative purposes. This also eliminated the audit in the office of the Comptroller General, the Controller of Telegraph Accounts occupying the position of a Controller of Public Works Accounts whose audit was final. In 1872, the Compiler's designation was changed[114] to Controller of Telegraph Accounts and he was placed precisely as regards power of audit and control of the receipts and charges of the Telegraph Department as a Controller of Public Works Accounts and was to exercise his functions under the orders of the Director General of Telegraphs and the Accountant General, Public Works.

Amalgamation of the Postal and Telegraph Accounts and Audit Offices

In 1906, the Government of India appointed a Telegraph Committee[115] and among the subjects for consideration were the following:

(1) Whether the accounts and audit system of the Telegraph Department should be amalgamated with that of the Post Office.

(2) Whether any, and if so what, changes were required in the existing organisation of the Check Office in view of the expansion of message traffic, and in particular, (*a*) Whether any part of the work could be transferred to any Accounts Department, and (*b*) whether any part of the work could be decentralised and transferred to the circle officers whom it was proposed to create.

The Committee in its Report pointed out that the two questions were inseparably connected and made the following recommendations (paras 111 & 112 of the Report):

(1) The check office should be placed in charge of the Examiner of Telegraph Accounts, who would have an additional Accounting Officer attached to his staff.

(2) The Faults and Complaints Section should be placed temporarily under the Director of Traffic until the Check Office had been re-organised by the Examiner.

(3) When the Check Office had been re-organised, the Faults and Complaints Section should be retransferred to the Examiner, and

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[114] Government of India, Financial Department Resolution No. 3399, dated the 8th October, 1872.

[115] Government of India, Finance Department Resolution No. 7350-7575-88, dated the 25th September, 1906.

the whole of the office should then be amalgamated with the Postal Central Audit Office, and decentralised to the same extent as the Postal Accounts.

The functions of the Check Office were diverse. It not only audited the message revenue and acted as a clearing house in connection with the adjustment of the receipts for foreign telegrams, but it was also charged with the duty of receiving and investigating complaints made by the public. The Government of India considered[116] that the investigation of public complaints was not a task which an Audit office should be asked to perform and proposed that, as soon as the Check Office was placed in charge of an Accounts Officer, the Faults and Complaints Section should be transferred to the Director General's Office, not temporarily as proposed by the Committee but permanently. On the introduction of the circle scheme of decentralisation the investigation of public complaints would devolve mainly on the circle offices. The sole function of the Accounts Office in connection with the complaints would be to furnish the administrative officer, at his request, with the message drafts required for the investigations.

While the Committee was in favour of decentralisation of the work of the Check Office, the Government of India was of the view that the Check Office should not be decentralised but should continue to be located at Calcutta.

The Government of India was satisfied that amalgamation of the Postal and Telegraph Accounts would be a beneficial measure and would lead both to economy in establishment and conduce to the more prompt and efficient discharge of public business. The adjustment in accounts would be greatly facilitated and much time and labour would be saved. The Government of India thought it possible that the Examiner's office might eventually be decentralised to the same extent as the Postal Accounts. They recommended that the new officer who should be responsible for both Postal and Telegraph Accounts should be of the rank of Accountant General, Class III, to be ordinarily filled in from non-civilian officers of the Enrolled List. The ultimate intention was that all officers should be members of the Enrolled List. In the meantime the Examiner and Deputy Examiners would be retained in the Public Works List of "supernumeraries" in their grades and granted promotions *pari passu* with their immediate juniors.

The proposals of the Government of India received the sanction of the Secretary of State[117] with the observation that the growth in the cost of the

[116] Government of India, Despatch to the Secretary of State No. 269, dated the 18th November, 1909.

[117] Secretary of States Despatch Financial No. 23, dated the 15th February, 1910.

Indian Post Office had been quite disproportionate to the growth in receipts and careful attention should be given to the question of the practicability of effecting reductions whether in the superior or in the subordinate establishments, when the new system had got into working order.

The amalgamation[118] took effect from the 1st April, 1910.

On the administrative side, a scheme for the permanent amalgamation of the postal and telegraph departments in India received the approval of the Secretary of State in 1914.[119]

DEFENCE ACCOUNTS AND AUDIT

Early History

Before 1748 the three Presidencies of Fort William (Bengal), Fort St. George (Madras) and Bombay had their own separate Military Forces under the President of each Presidency, who was also the Commander-in-Chief thereof. In that year a Commander-in-Chief was appointed for the Company's forces stationed in the three Presidencies. In 1786, a Military Department was created. With the Act of 1833 the process of subordinating Madras and Bombay to the Governor General in Council was completed. The Three Army system, however, continued until 1893. In 1875, Lord Lytton appointed an Army Organisation Commission. The changes took a long time to mature. In 1895, the forces in Madras and Bombay came under a Lieutenant General, the office of Commander-in-Chief in these Presidencies being abolished. There was to be a single Commander-in-Chief in India. Under the Indian Constitution in force from the 26th January 1950, the supreme command of the Armed Forces vests in the President. The title of Commander-in-Chief has been abolished and the three chiefs of Army, Navy and Air Force are now designated the Chief of the Army Staff, the Chief of the Naval Staff and the Chief of the Air Staff respectively.

While in respect of the Civil Departments the Auditor General has been generally responsible for the maintenance of their accounts as well as for the audit thereof, the accounts of the Armed Forces have never been his responsibility. At the time the British Crown took over the Government of India in 1858 there was a Military Auditor General in each Presidency.

The Military Auditor General's "peculiar province was to watch over

[118] Government of India, Finance Department letter No. 1605 F.O., dated the 23rd March, 1910.

[119] Secretary of States Despatch Telegraph No. 5, dated the 6th March, 1914.

the Military expenses, and at all times to suggest to Government such reductions in them as may appear to him to be practicable and proper" (Military Department letter No. 320, dated the 20th October, 1811). The Military Auditor General prepared annually in February, a sketch or Anticipating Estimate, and afterwards in December a Regular Estimate for the Army, which, with the Estimates of the Commissariat, Ordnance and Clothing Departments, he submitted to the Financial Department. These estimates contained only fixed charges and expenses based on those of previous years, which had already received the sanction of Government in the Military Department. All additions to fixed charges were subject to the final approval of the Home authorities and addition to expenses could only be made by a direct application to the Military Department and a formal sanction through that Department.

Military Finance Department and Board of Audit

Reference has been made in Chapter II to the appointment in 1860 of the Military Finance Commission, how it ripened into the Military Finance Department, the formation in 1860 of a new Board of Audit consisting of the Chief of the Military Finance Department and the Auditor General, the abolition of the Military Finance Department and the creation in 1864 of the appointment of the Accountant General to the Military Department and the abolition of the Audit Board in 1865. Among the matters referred to the Finance Commission were "to report upon the present arrangements for the payment of the Army and on the existing system of check and Audit, in order to the introduction of improvements, such as shall be both economical and calculated to simplify and facilitate accounts, and to obviate delay". The Commission was also to report "on the best means of concentrating the Audit of the different branches, in one Establishment, in lieu of the separate Audit of Army Payment, Ordnance, Clothing and Commissariat which at present exists". As a result, it was declared in 1860[120] that the accounts of the various Departments of the Army, should after examination in the several Presidencies, be transmitted to the Military Finance Department at Calcutta. After those accounts had been finally examined in comunication with the Audit Board, abstracts thereof would be sent to that Board for ultimate and appropriation audit. The Military Finance Department was made responsible for enquiring and reporting to Government whether the duties of Disbursing, Accounting and Controlling Officers,

[120] Government of India, Military Department Accounts Resolution No. 710, dated the 6th July, 1860.

involving the issue of money or stores were duly performed and that utmost economy consistent with efficiency was maintained.

At each of the Presidencies (Bengal, Madras and Bombay) a "Controller of Military Finance" was appointed. Under the Controller were the Examiner and also the Compiling Officer. In the Bengal Presidency it was the duty of the Controller to examine and submit to the Military Finance Department the detailed Estimates of Military Expenditure, for incorporation in the General Budget of the Empire. The Controllers at Bombay and Madras submitted such Estimates to the local Government for incorporation in the General Estimates of the Presidency. The duties of examination and check previously performed by the Military Auditor General and the Auditors of Commissariat, Medical, Ordnance and Clothing Accounts were transferred to the Examiners of Accounts appointed to those branches. The general powers exercised by the Military Auditor General in each Presidency were merged in the enlarged powers of the Controllers—The cognizance and influence of the Controllers of Military Finance was extended[121] to all affairs coming within the range of the Military Financial administration and the Governments had to refer to the Controller for report every question affecting the Military expenditure of the three Presidencies.

Accountant General to the Military Department

When the Military Finance Department was abolished and the office of the Accountant General to the Military Department was created in 1864,[122] he was required to render all the assistance in his power to the Financial Department but his ordinary official relations were entirely with the Military Department. The subordinate establishment of Controllers, Examiners and Compiler, in every part of India remained as it was. On all matters relating to their conditions of appointment and promotions he was to advise the Military Department, so as to secure the highest standard of qualifications. The salary of the Chief of the Military Finance Department was Rs. 3,333 a month; that of the Accountant General was fixed at Rs. 3,000 consolidated. Col. A. Broome of the Royal Artillary was appointed Accountant General to the Military Department from the 1st April, 1864. In a Military Department Notification of the 16th April, 1864 Conrollers of the Military Finance at the several Presidencies were designated "Controllers

[121] Government of India, Financial Department Resolution No. 10613, dated the 20th August, 1861.

[122] Government of India, Financial Department No. 1031, dated the 25th February, 1864.

of Military Accounts". In a Military Department Notification of the 6th June, 1864, the appointments of Controller of Accounts of the three Presidencies were declared to qualify for the rank of Colonel. In a Military Department Notification of the 19th August, 1865 the Accountant General to the Military Department was designated "Controller General of Military Expenditure".

Though the orders of 1864 virtually constituted the Military Accounts Department, for the purpose of giving more practical effect to this arrangement, it was declared[123] in 1869 that the Controllers, Military Accountants, Examiners, Circle and Deputy Pay Masters at the three Presidencies would be placed on one roster for departmental promotion and transfer from Presidency to Presidency, as the good of the public service might require.

In 1871, the post of Controller General of Military Expenditure was redesignated Accountant General, Military Department.[124]

In 1881, the Secretary of State communicated, with his orders, the report of a Committee appointed by him to enquire into the existing system of Military Accounts in India.[125] One of the recommendations of the Committee approved by the Secretary of State was regarding the relative positions of the Comptroller General and the departmental accounts officers including the Military Accounts Officers. The position was recognised that the Comptroller General should be the chief authority in all matters affecting the mode of keeping the public accounts, including those of the military and other spending departments. He was solely responsible for the General Finance Accounts. He should send to the Military Accountant General monthly statements of the total issues from Civil Treasuries for Military purposes. The Military Accountant General should send him monthly statements showing on one side moneys received from Treasuries and other military receipts and, per contra, the expenditure incurred, actually audited and remaining to be audited. The Military Accountant General should keep such books as would enable him to consolidate the accounts of the Military Controllers, and to compare the expenditure as it proceeded with the amounts of the sanctioned grants. The Military Accountant General was made *ex officio* Deputy Secretary for Finance in the Military Department. The Controllers of Military Accounts would in all matters

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[123] Government of India, Military Accounts Notification No. 154, dated the 19th February, 1869.

[124] Government of India, Financial Department Resolution No. 4474, dated the 21st October, 1871.

[125] Government of India, Financial Department Resolution No. 1900, dated the 22nd July, 1881.

of account be in immediate subordination to the Comptroller General and in respect of form of the accounts and for their proper preparation and punctual rendering would have the same relation with the Comptroller General that the Civil Accountants General had. The officers and accounts of the Controllers of Military Accounts were to be open to the inspection of the Comptroller General and his inspecting officers. In 1882, this was declared to include power to test-audit so much of the accounts as he might consider necessary and to ask for any information or call for any documents for the purpose of his audit or inspection.

In 1891, the Deputy and Assistant Accountant General were made *ex officio* Assistant Secretary in the Military Department.

Genesis of the Cadre of Deputy Assistant Controllers

The Government of India appointed a "Committee on Military Accounts" under the chairmanship of Colonel Anderson. That Committee made a systematic examination of many parts of the procedure followed in the compilation of Military Accounts and made numerous proposals for the simplification and reduction of work. The effect of their proposals was stated in their own words as follows :

> "If these proposals are given effect to, the reduction of labour in accounts branches of Chief Commissariat Offices will be fully 50%, while the individual relief to Corps and to the Audit Department will be considerable." (Page 4 of the Report).
>
> "The Committee have submitted proposals which if accepted will, . . . , materially affect and simplify existing procedure and reduce objections and correspondence, and consequently the work of Examiners and their subordinates." (Page 12 of the Report).

In 1902 in dealing with the recommendations of this Committee and the additions to the strength of the Military Accounts Department where necessary to implement them, the Secretary of State[126] commended the appointment of officers of the class of Chief Superintendents, who had been appointed to the staff of the Civil Accounts offices, and were interchangeable with and exercised the same powers as the Gazetted members of the Accounts Department. He presumed that Superintendents in the Military Accounts offices offered as favourable a field of selection for such officers as those in the Civil Accounts offices and would provide a cheaper form of recruitment than the Military Officer, who had to be withdrawn from the exercise of his own profession and provided with a long future in the form of specially

[126] Secretary of States Despatch No. 95 (Mily.), dated the 4th July, 1902.

paid offices in compensation of the loss of appointments of Military distinction. Four appointments of this kind were actually sanctioned. Thus came into being the category now known as Deputy Assistant Controller of Defence Accounts.

The Subordinate Accounts Service

In 1906, as a result of a report made by O.T. Barrow, Comptroller General on the result of an enquiry into the existing arrangements for Military Account and Audit in India, several measures[127] were adopted to tone up the Department. Among these measures were the institution of a Central examination more stringent than the separate local examinations that were till then being held for the Subordinate Accounts Service, abolition of separate examinations for the Assistant Examiner's grade and re-organisation of the several grades into which the Subordinate Account Service was divided.

Creation of Military Finance Branch

The disagreement between Lord Curzon and Lord Kitchner on the question of Military administration, the creation of a Member of Council known as the Military Supply Member in place of the Military Member, the resignation of Lord Curzon in 1905, the later abolition of the post of Military Supply Member in 1909 and the appointment of the Commander-in-Chief in that year as the head of the Army Department, and the sole Adviser on Military matters in the Governor General's Council are well known facts in Indian history. In consequence of the abolition of the Military Department of the Government of India, the Department of Military Accounts, which was formerly subordinate to the Military Department, became subordinate to the Finance Department of the Government of India with effect from the 15th April,[128] 1906. Further with the object of making financial control over Military expenditure more constant and efficacious, a special branch of the Finance Department (styled the Military Finance Branch) was created to deal in their financial aspect, with the application of financial rules and with proposals for expenditure which were beyond the power of sanction of the new Army Department and the Department of Military

[127] Government of India, Finance Department (Military Finance) No. 1299 Accounts, dated the 13th September, 1906.

[128] Government of India, Finance Department No. 2343 E.O., dated the 27th April, 1906.

Supply. The Military Accountant General was made *ex officio* Deputy Secretary in that branch; the Military Accounts Department was placed under its supervision and control.

There was interesting exchange of views between the Secretary of State and the Government of India in regard to the responsibility of the Military Finance Branch *vis-a-vis* the Military Accounts Department for the preparation of the Military Budget and military schedules and the consideration at an early stage of the financial aspect of proposals for military expenditure. In a despatch of June 1906[129] the Government of India proposed that they should be entrusted to the Military Finance Secretary but the Secretary of State in his despatch of December 1906[130] considered that they should be entrusted to the Military Accountant General and his staff. It appeared to him that there was a danger lest the participation of high officers of the Finance Department in the preparation of proposals for Military expenditure might hamper that department in the exercise of its very important duties of criticising and controlling such expenditure. The Government of India thought[131] that there was no ground for this apprehension and that since April 1906, when the experiment was introduced, the control of the Finance Department over military expenditure had, as a matter of fact, been stronger and more effective than formerly. They were also of the opinion that the Military Accountant General could not suitably be called upon to undertake the duties. In deference to the Government of India's views the Secretary of State said[132] that he would not proceed further with his objections. The pay of the Military Finance Secretary was reduced from Rs. 4000 to Rs. 3000.

RECRUITMENT OF CIVILIANS TO THE MILITARY ACCOUNTS DEPARTMENT

While giving his sanction to the transfer of the Department of Military Accounts to the control of the Finance Department, the Secretary of State presumed that Military Officers would no longer be appointed thereto and that a more efficient and economical system would be introduced. The Government of India[133] was, however, of the opinion that while a Civil Military Accounts agency might be less expensive than the existing Military element,

[129] Government of India's letter to the Secretary of State No. 9 M.F., dated the 14th June, 1906.

[130] Secretary of States Despatch No. 151 Financial, dated the 7th December, 1906.

[131] Government of India's letter No. 10 M.F., dated the 7th February, 1907.

[132] Secretary of States Despatch No. 49 Financial, dated the 12th April, 1907.

[133] Government of India, Financial Department, Despatch to the Secretary of State No. 13 M.F., dated the 21st February, 1907.

the change would be undesirable. The civil officers would no doubt make capable accountants and auditors but they would lack the preliminary experience of actual regimental work which all Military Accounts Officers under the existing system possessed and which was of value to them in dealing with regimental pay and accounts questions. Further the Government of India was decidedly of opinion that there would be more friction between the Military Accounts Department and various branches of the Army than existed under the present system. The majority of Army Officers would be apt to imagine that cases relating to their pay and allowances and those of their men would be less sympathetically dealt with by civil officers than by those belonging to their own profession. The Government of India, therefore, desired to continue the existing system of manning the Military Accounts Department by military officers. They, however, proposed to widen the basis of recruitment and instead of confining the field to the Indian Army extend it to British regiments serving in India and reduce the tenure from five to three years.

Eventually in 1910 with the approval of the Secretary of State for India, the Government of India decided[134] that the system of recruitment of officers of the Indian Army for the Military Accounts Department should be discontinued, and that in future civilians only should be recruited for the Department, who would be appointed by the Secretary of State for India.

The appointments in the Military Accounts Department and the rates of pay sanctioned for future entrants were:

No.	*Grade*		*Pay per mensem*
1	Military Accountant General	..	Rs. 2,500
4	Controllers of Military Accounts	..	Rs. 2,200
4	Military Accountants, 1st Class	..	Rs. 1,650
48	Military Accountants, IInd Class	..	Rs. 300—50—1,250 1,250—50/2—1,500
57			

Promotion to the appointments of Military Accountant General and Controllers of Military Accounts and to the grade of Military Accountant, 1st Class, would be made by strict selection. A local allowance of Rs. 250 a month was given to the officer holding the appointment of Military Deputy Accountant General. The grant of leave and leave allowances, travelling allowances and pension, to civil officers, would be regulated by the Civil

[134] Government of India, Finance Department (Military Branch) No. 1123 Acctts., dated the 7th July, 1910.

Service Regulations.

Military officers already serving in the Department could opt for the new scales under certain conditions. Their leave, pension, travelling and other allowances, would continue to be regulated by Military rules.

Changes in the Position of the Military Finance Department

In 1913, the Government of India's proposals to the Secretary of State for the alteration of the status and functions of the Secretary, Military Finance Department were approved by him. The Military Finance Secretary was to cease to be a Secretary to the Government of India and have instead the status of Financial Adviser to the Commander-in-Chief and Army Member. His standing and precedence were left unaffected. These changes took effect from the 1st October, 1913 and made no alteration in regard to the essentials of financial control over Military expenditure; from the same date, the Military Accountant General and the Military Deputy Accountant General ceased to be, *ex officio* Deputy and Assistant Secretary respectively, to the Government of India.[135]

Recruitment of Indians to Military Accounts Department (Indian Finance Department/Military)

Reference has been made earlier to correspondence between the Government of India and the Secretary of State in 1907 regarding the desirability or otherwise of a Civil Military Accounts agency. The recommendations of the Royal Commission on the Public Services in India (Islington Commission) regarding the Military Accounts Department necessitated further consideration of the matter. The Government of India in its letter of the 4th June, 1919 were for the exclusion of Indians from direct appointment to this service. Certain characteristics of the work of the Military Accounts Officer, which were absent from and far less prominent in the work on the civil accounts side, made it, in its opinion, inexpedient, at the outset of the experiment at any rate to resort in their entirety to the methods of recruitment that obtained in the Indian Finance Department. In the first place, the efficient performance of the duties of a Supervisory/Military Accounts Officer demanded an intimate acquaintance with the methods of regimental units and departments which it was exceedingly difficult, if not impossible, for an Indian

[135] Government of India, Finance Department No. 57, dated the 7th March, 1913, Secretary of States Despatch No. 71 Financial, dated the 23rd May, 1913 and Government of India, Finance Department Notification No. 1201-F.E., dated the 26th September, 1913.

to acquire in an accounts office except after a protracted novitiate. Secondly, the Government of India apprehended the possibilities of friction if the large number of personal claims were handled by persons who had not learnt, by training and long association with the department, to combine firmness with due regard to the susceptibilities of individuals. They, therefore, preferred for the time, to secure the entry of Indians to the Military Accounts Cadre by throwing open a substantial proportion of the vacancies in that cadre to the Subordinate Accounts Service. They proposed to arrange in future for the direct recruitment of Indians of education as third grade accountants, so that competent men might rise to the rank of Deputy Examiners with sufficient rapidity to secure them a reasonable opportunity of promotion to the superior staff.

The Secretary of State (Mr. Edwin Montagu) could not agree.[136] The arguments of the Government of India applied, he said, to civilians of any race. He also thought that the special qualifications desirable for service with the Military Accounts Department were not such as would be impossible for Indians to acquire after experience in the same way as European Civil Officers did. Moreover as Indians were being commissioned in the Army and had long been Commissioned in the Indian Medical Service, it would be very difficult to justify the denial to them of direct admission to the Military Accounts Department. He was of the opinion that one sixth of the appointments should be reserved for promotion from the grades of Deputy Examiners. Of the remainder one third of the total number of vacancies should be filled by Indians recruited direct leaving one half of the total number of appointments to be filled in the United Kingdom by Europeans.

In a subsequent despatch of July 1920 the Secretary of State informed the Government of India of the conclusions he had formed in Council on the question of the future of the Civil Officers of the Military Accounts Department.

The Secretary of State also suggested to the Government of India to consider the question of the ultimate amalgamation of the superior cadre of the Civil and Military Accounts Departments. For Military Accountants 2nd Class, he said, he would adopt the junior scale sanctioned for the Imperial Finance Department and would grant to existing members the special allowances fixed in the case of that Department. This arrangement he thought would facilitate transfers between the two departments. For the three 1st Class Military Accountants and the posts of Junior Controller, Military Supply Accounts and Assistant Accountant General, he proposed a salary

136. Secretary of States Despatch No. 14 Military, dated the 4th March, 1920 and No 42 Military, dated the 1st July, 1920.

of Rs. 1500—60—1800 a month. Officers at the time in service should get a special additional allowance of Rs. 300 when they reached this grade as in the Imperial Finance Department. Future European entrants should draw an overseas allowance of Rs. 250.

As regards the higher posts of Military Accountant General, Senior Controller, Military Supply Accounts and the two Military Deputy Auditors General he observed that in the ordinary course the incumbents for some years to come would be Military Officers. He considered it advisable however, if only for purposes of recruitment to fix the pay of these appointments even then. He suggested Rs. 2250—100—2750 for the Military Accountant General and a fixed rate of Rs. 2250 for the other three appointments.

The amalgamation of the superior cadres of the Military and Civil Accounts Department has been discussed on more than one occasion without any change resulting therefrom.

Re-organisation of the Military Accounts Department

In 1919, a sub-committee appointed in November 1919 to examine the causes of the large excess in expenditure on Military services in 1919-20 brought to the notice of Government the need for changes in the organisation of the Military Finance Department and the Military Accounts Department to improve the efficiency of financial control over the expenditure of the Army, Marine and Military Works. The pay of the Financial Adviser fixed in 1906 at Rs. 3000 was raised to Rs. 3250 and he was given four Deputy Financial Advisers for the work of the Adjutant General's Branch, Quarter Master General's Branch (which included the Directorate of Military Works), and Ordnance Branch with also the work connected with Army Clothing Factories and six Assistant Financial Advisers.

The Military re-organisation, which led to the formation of four commands and fourteen Military districts in place of two commands and ten divisions, necessitated a rearrangement of the Military Accounts Offices. The reforms were introduced[137] with the concurrence of the Auditor General and the conclusions of the Government of India on the subject were found to be in substantial accord with the recommendations in the report of the Army in India Committee.

The accounting of Military Works expenditure was transferred with effect from the accounts for April 1920, to the control of the Military

[137] Government of India, Finance Department (Salaries and Establishments) Despatch No. 26, dated the 18th March, 1921 and the Secretary of States Telegram No. 3774, dated the 27th July, 1921.

Accountant General. The work was decentralised from April 1921 and entrusted to the Controllers of Military Accounts of the variousd istricts. An office of Controller of Marine Accounts was formed at Bombay in September 1920 and an office of Royal Air Force Accounts was formed at Ambala in December 1920. Both these Controllers were also Financial Advisers to the Heads of the Departments. Accountants and Accounts Clerks of the Military Accounts Department were posted to units with effect from the 1st April, 1921 in order to prepare pay accounts on the spot. Separate Account Offices were formed for each of the fourteen districts early in 1921-22. The post of Controller of Military Supply Accounts was abolished as a corollary to the creation of a Controller of Army Factory Accounts to deal with the accounts relating to Ordnance Factories and to Clothing Departments employed partly on Manufacture, Controllers at Headquarters of Commands were made Financial Advisers to the General Officer Commanding in Chief and Deputy Controllers similarly to Deputy Commanders. Price accounts began to be maintained from April 1921 of stores received, consumed and held in units, stores depots and formations as also cost accounts for them. The system had been started earlier in Ordnance Factories in 1919. Local audit of store accounts was one of the cardinal principles in connection with the new arrangement.

The responsibilities of the Military Accountant General who was the head of the Military Accounts Department increased in several directions. He became responsible for Military Works accounts and cost accounts. In his capacity of Principal Auditor under rule 2(f) of the Rules made by the Secretary of State in Council under Section 96D(1) of the Government of India Act, 1919 he had to take a more active interest in the internal audit work of the Department than he had done in the past. (The definition of "Principal Auditor" was, however, changed in 1925 to confine it to Heads of Audit and Accounts office specially subordinate to the Auditor General.) The Military Accountant General combined in himself the functions of several of the Chief Accountants, as well as of the Combined Pay Master and of the Controller of Cost Accounts, at the War Office. His pay was fixed at Rs. 2750[138] accordingly. It has since been raised for pre-31 entrants to Rs. 3000, one of the very few instances where the old scale of pay applicable to pre-1931 entrants to Government Service was increased after the introduction of revised rates of pay for post 1931 entrants. It was also intended that on the abolition of the temporary office of Controller of War Accounts all work connected with India's claims against His Majesty's Government in

[138] Government of India, Finance Department (Military Accounts Department) Despatch No. 6, dated the 31st March, 1922.

the United Kingdom in respect of Indian troops employed overseas and of stores supplied to overseas garrisons should be transferred to his office.

The pay of the 4 appointments of Command Controllers was fixed at Rs. 2250. Of the 14 other appointments of Controllers of Accounts, the Controllers of 4 First Class Districts, the Deputy Military Accountant General and the Controller of Army Factory Accounts and temporarily the Controller of Presidency and Assam District to whom the residual work of the late Controller of Supply Accounts was entrusted, were placed on Rs. 1500—60—1800. The remaining 49 appointments were in the Class II on a pay of Rs. 350—50—1400, corresponding to the new junior scale for officers in the Indian Audit Department. European entrants joining the deparment after the 1st August, 1920 were to receive an overseas allowance of Rs. 150 a month for the 1st to the 7th year inclusive, Rs. 200 from the 8th to 13th year inclusive and Rs. 250 from the 14th year onward. Various rates of duty and compensatory allowances were also sanctioned. Recruitment of Europeans in the immediate future was to be stopped except in special cases of trained experts. Special provisions were made for Military officers already in the Department and for officers of the Indian Audit Department deputed to serve in the Military Accounts Department. The subordinate Gazetted Service was placed on the scale of Rs. 550—30—850 already sanctioned in 1920.

Subsequent changes in the Superior Service of the Military Accounts Department followed more or less the pattern of the Indian Audit and Accounts Service. The Varadachariar Commission, 1947 placed the Controllers at par with Accountant Generals for pay on the "prescribed scale". The Das Commission, 1959 allowed one Controller's post to be on the selection grade of Rs. 2000—125—2250. Among Class I posts the Commission allowed the scale of Rs. 1600—100—1800 to the Controller, Air Force.

During the Second World War the Supply Accounts Organisation functioned as a part of the Military Accounts Organisation from the 1st September, 1940 but reverted to the control of the Auditor General from the 1st April, 1947.[139]

Defence Audit after Montford Reforms

When, under the Rules framed by the Secretary of State in Council under Section 96D(1) of the Government of India Act, 1919, the Auditor General was made responsible for the efficiency of the audit of expenditure in

[139] Government of India, Finance Department No. F. 2(1)—EII/47, dated the 19th March, 1947.

India from the revenues of India, the question of the manner in which he should discharge his statutory responsibility in respect of expenditure of Defence Services was considered and the conclusion was reached that he should have his own inspection staff working in Military Accounts Offices. A post of Deputy Auditor General was sanctioned in March 1922 for the purpose. Two more posts for officers of Class I of the General List, also designated Deputy Auditors General were sanctioned in1924 for the test audit of Military Accounts. One of the three worked at the Army Headquarters, one in the Southern and Western Commands and the third at the Northern and Eastern Commands.[140]

A little later, it was decided to adopt a system of Audit which should follow, as closely as possible in the Indian context, the system of audit applied by the Comptroller and Auditor General of the United Kingdom to the expenditure on the Defence Services. The Class I post of Deputy Auditor General at Headquarters was raised to the status of an Accountant General, designated Director of Army Audit. The scheme initially approved for a period of three years from 1925 was sanctioned permanently with effect from the 1st March, 1928,[141] and the Director office was separated from that of the Auditor General.

Redesignation of the Military Accounts Department

The Military Accounts Department was redesignated as Defence Accounts Department with effect from the 1st October, 1951. The change, which is descriptive of its present functions, was made in view of the extended scope of the work of the Department which covers the three Services—the Army, the Navy and the Air Force—and the Ordnance Factories. For the same reason, Controllers of Military Accounts were redesignated as Controllers of Defence Accounts and the designation of the head of the Department, *viz.*, Military Accountant General, was changed to Controller General of Defence Accounts.

Present Organisation of the Defence Accounts Department

The head of the Defence Accounts Department, *viz.*, Controller General of Defence Accounts, functions under the administrative control of the

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[140] Government of India, Finance Department No. 4770-E/1149, dated the 30th October, 1924 and Secretary of States Telegram No. 192, dated the 20th January, 1925.

[141] Government of India, Finance Department No. F. 7/XVII/EII/27, dated the 20th February, 1928.

Ministry of Finance (Defence). The Financial Adviser is the Chief Accounting Officer for Defence Services. In this capacity he prepares the Appropriation Accounts for the Defence Services. The Financial Adviser is also ultimately responsible for the internal audit and accounting of Defence expenditure, but this is discharged through the Controller General of Defence Accounts. The duties of the Defence Accounts Department are broadly the maintenance of the pay accounts of commissioned officers and other ranks, internal audit, payment and accounting of all charges pertaining to the Armed Forces including bills for supplies and services rendered, pay and allowances, miscellaneous charges, pensions, etc. This Department is also responsible for the audit of store accounts kept by the various units and formations (including arsenals, workshops and storage depots) in the three Services. In the case of Ordnance Factories and the Naval Dockyard, the store and manufacturing accounts are actually kept by the Defence Accounts Department. It also maintains certain accounts relating to the Military Engineer Services and audits the construction and other accounts relating to works projects kept by these Services. In addition to the duties mentioned above, the Controllers of Defence Accounts function as local Financial Advisers to the General Officers Commanding-in-Chief of Commands, Area Commanders, etc.

The organisation of the Defence Accounts Department corresponds broadly to the organisation of the three Services. Thus in the case of the Army, there is a Command Controller of Defence Accounts for each of the Commands. In addition, there is one Controller dealing with all Military pensions and another dealing with all Ordnance and Clothing Factories. There are two Controllers of Defence Accounts, one for dealing with the pay and allowances of Commissioned Office of the Army and maintaining their accounts, and the other for dealing with the pay and allowances of the other ranks of the Army. The latter has local pay accounts offices all over India, working in close association with Regimental Centres and Depot offices. All these Controllers deal mainly with expenditure incurred by the Army. For dealing with Air Force and Navy expenditure respectively, the Defence Accounts Department has a Controller of Defence Accounts (Air Force) and a Controller of Defence Accounts (Navy). Besides these, there is also a Controller of Defence Accounts (Funds) for the maintenance of Provident Fund Accounts of Service and Civilian personnel centrally and for the preparation of the all-India Consolidated Compilation of Defence Services receipts and charges on a mechanised system.

The Defence Audit Organisation broadly follows the pattern of that of Defence Accounts and is dealt with in Chapter VIII.

PART II

Organisation and Structure

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CHAPTER IV

HEADQUARTERS OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

VARIOUS CLASSES OF OFFICES IN THE DEPARTMENT

The Comptroller and Auditor General of India is the administrative head of the Indian Audit and Accounts Department. He discharges his statutory and other responsibilities through the agency of the Indian Audit and Accounts Department. The Headquarters office of the Comptroller and Auditor General is located at New Delhi.

The volume and variety of the transactions with which the Indian Audit and Accounts Department has to deal necessitates the work of the combined Audit and Accounts Offices being distributed over a number of offices at different centres, while the audit of the accounts, the keeping of which is not entrusted to the Comptroller and Auditor General, is also conducted at different places.

The Indian Audit and Accounts Department is divided into five classes of offices, namely:

(1) the Civil Audit Offices, which compile the accounts and audit the transactions of the Civil, Public Works and Forest Departments. There are 15 Civil Audit Offices for the States and 2 Central Audit Offices. The heads of the Civil Audit Offices are designated "Accountants General". The structure of Civil Audit Offices has been described in Chapter V.

(2) the Commercial Audit Offices which audit locally the transactions of commercial and quasi-commercial Government undertakings as well as the accounts of Government Companies as defined in Section 617 of the Indian Companies Act, 1956. The Director of Commercial Audit is the head of Commercial Audit Department. The structure of Commercial Audit Offices has been described in Chapter IX.

(3) the Railway Audit offices which deal with the audit of Railway accounts. There are several zonal audit offices apart from the co-ordinating office of the "Additional Deputy Comptroller and Auditor General (Railways) and *ex officio* Director of Railway Audit". The headquarters office of the Director of Railway

Audit consisting of two Railway Audit Sections is located at New Delhi and forms part of the office of the Comptroller and Auditor General of India. The structure of Railway Audit Offices has been described in Chapter VII.

(4) the Posts and Telegraphs Audit Offices which deal with the compiling and audit of Posts and Telegraphs Accounts. The head of the Posts and Telegraphs Audit Offices is designated "Accountant General, Posts and Telegraphs". The headquarters office of the Accountant General, Posts and Telegraphs, is located at Simla. The structure of Posts and Telegraphs Audit Offices has been described in Chapter VI.

(5) the Defence Service Audit Offices which deal with the audit of the accounts of the Defence Services. The head of the Defence Audit Department is designated "Director of Audit, Defence Services". The headquarters office of the Director of Audit is located at New Delhi. The structure of Defence Services Audit Offices has been described in Chapter VIII.

The Civil and Posts and Telegraphs Audit Offices are both audit and accounts offices while the Railway and Defence Services Test Audit Offices deal only with the audit of the accounts of the respective departments that are maintained by accounts offices not under the control of the Comptroller and Auditor General.

In addition, there is an Audit Office in the United Kingdom for audit of Indian Accounts in that country under the "Director of Audit, Indian Accounts, London". Similarly, there is an Audit Office in the United States under the "Director of Audit, Indian Accounts, Washington". The structure of these two Audit Offices abroad has been described in Chapter X.

For purposes of training the probationers of the Indian Audit and Accounts Service, the Comptroller and Auditor General has established the Indian Audit and Accounts Service Training School at Simla with 1 officer of the Indian Audit and Accounts Service, 2 Assistant Accounts Officers, 4 Accountants of the Subordinate Accounts Service, 3 Upper Division Clerks, 1 Stenographer and 21 Class IV staff.

The Comptroller and Auditor General of India thus fulfils his statutory and other responsibilities through 17 Heads of Civil Audit Offices, the Director of Railway Audit, the Director of Commercial Audit, the Accountant General, Posts and Telegraphs, and the Director of Audit, Defence Services, who control respectively the five classes of offices, the Director of Audit, Indian Accounts in London and the Director of the Indian Accounts in Washington. The lines of authority run downwards from the Comptroller

and Auditor General through the hierarchy and link him through his codes, orders and instructions, with the 42,000 persons who carry out his duties throughout the country and even overseas, while reports and other information data return upwards to him, enabling the whole organisation to function as a homogeneous unit.

Sanctioned Strength of the Indian Audit and Accounts Department

The sanctioned strength as on the 1st October, 1965 for the entire Indian Audit and Accounts Department included 419 officers of the Indian Audit and Accounts Service, 814 Assistant Accounts/Audit Officers, 3,913 members of the Subordinate Accounts/Audit Service, 18 Divisional Accountants, 2,317 Selection Grade Clerks, 22,124 Upper Division Clerks, 6,411 Lower Division Clerks and Machinists, 316 Personal Assistants and Stenographers, 582 other Class III staff and 5,411 Class IV staff, making in all a total of 42,325 posts. A detailed distribution statement is appended at the end of Chapter X.

Structure of the Headquarters Office of the Comptroller and Auditor General of India

The headquarters office of the Comptroller and Auditor General is located at New Delhi. Its sanctioned strength, as on 1st October, 1965 was 19 officers of the Indian Audit and Accounts Service, 11 Administrative Officers (Class II), 92 members of the Subordinate Accounts Service, 45 Selection Grade Clerks, 93 Upper Division Clerks, 71 Lower Division Clerks and Machinists, 22 Personal Assistants and Stenographers, 7 other Class III staff, and 106 Class IV staff. The 19 officers of the Indian Audit and Accounts Service include 1 Deputy Comptroller and Auditor General, 3 Additional Deputy Comptrollers and Auditors General (one for Report, one for Headquarters and the other for Railways), two Directors of Inspection, one Director of Audit and Accounts, one Director of Revenue Audit, Four Deputy Directors [one for Railways, two for Report (Central State), and one for Technical Administration], three Assistant Comptrollers and Auditors General [including Assistant Comptroller and Auditor General (Personnel), Assistant Comptroller and Auditor General (Budget), Assistant Comptroller and Auditor General (N)] two Assistant Directors (O & M) and Technical Administration and the Secretary to the Comptroller and Auditor General. The post earmarked for the Secretary to the Comptroller and Auditor General stands merged with that of Director of Establishment

re-designated as Director of Co-ordination and Secretary to the Comptroller and Auditor General.

The office is divided into the following sections:

Descriptive name	*Recognised abbreviation*
Receipts & Issue	R & I
Gazetted Establishment (2 sections)	GE
Budget Examination	Bt.
Office Establishment	OE
Non-gazetted Establishment (3 sections)	NGE
Audit	A
Revenue Audit	RA
Railway Audit (2 sections)	Rlys.
Commercial Audit	CA
Technical Administration (2 sections)	Admn.
Report	Rep.
Compilation	Comp.
Accounts	AC
Research and Statistics	R &S
Organisation and Methods	O &M

Under the general supervision and control of the Deputy Comptroller and Auditor General, the Assistant Comptroller and Auditor General (Personnel) acts as the Executive Head of the office using discretion in selecting matters to be put up to the Deputy Comptroller and Auditor General for his orders.

The Deputy Comptroller and Auditor General functions, in general, as Chief of the staff. He and the Additional Deputy Comptrollers and Auditors General may deputise for the Comptroller and Auditor General in any matter except in the case of reports on accounts submitted to Parliament and State Legislatures, and do so in particular when the Comptroller and Auditor General is on tour; the amount of responsibility to be taken by them cannot be defined precisely but rests on the arrangements of working settled by the Comptroller and Auditor General himself. Next below in the hierarchy are the Director of Audit and Accounts, Directors of Inspections, and the Director of Revenue Audit. After them come Assistant Comptrollers and Auditors General and then Deputy Directors, Assistant Directors and Administrative Officers. They are all responsible to one or the other Deputy Comptroller and Auditor General.

All minor processes of work are dealt with by the Branch officers, the

extent of their responsibility being settled by the Deputy Comptroller and Auditor General according to the status of the officer.

The distribution of work among the Gazetted Officers is as stated below:

(1) Deputy Comptroller and Auditor General: General supervision of GE I & II, OE & Admn., Record, R & S, Library, NGE I, II & III and Budget Sections.

The Assistant Comptroller and Auditor General (P) holds the charge of the Office Establishment and Gazetted Establishment (GE I & II) Sections. The Assistant Comptroller and Auditor General (N) holds the charge of NGE I, II & III Sections. The Assistant Comptroller and Auditor General (Budget) holds the charge of Budget and Examination.

There is an Administrative Officer known as Administrative Officer (Establishment) who holds the charge of office cash and bills, Record, Library and all routine work pertaining to OE, GE and NGE Sections. There is another Administrative Officer known as Administrative Officer (Budget) holding the charge of Budget and Examinations.

(2) Additional Deputy Comptroller and Auditor General (Headquarters) . . . General supervision of Audit, Revenue Audit, and Technical Administration I & II Sections.

The work of Administration Branch (Technical Administration I & II Sections) is co-ordinated by the Director of Audit and Accounts, who is assisted by the Deputy Director (Tech. Admn.) who in turn is assisted in the discharge of his duties by one Assistant Director and one Administrative Officer.

The Director of Audit and Accounts holds the charge of Audit Section, and is assisted by an Administrative Officer known as Administrative Officer (Audit). The Director of Revenue Audit is assisted by the Deputy Director (Revenue and Commercial Audit) who holds the charge of Revenue and Commercial Audit group including co-ordination work relating to Revenue and Commercial Audit.

(3) Additional Deputy Comptroller and Auditor General (Report) has General supervision of Report Sections. Two Deputy Directors—one for Central portion and the other for State portion—hold the charge of Report Sections dealing with Finance Accounts, Appropriation Accounts and Audit Report.

(4) Additional Deputy Comptroller and Auditor General (Railways) has general supervision of Accounts, Compilation, Railway Audit I, II and Commercial Audit Sections.

Director of Audit and Accounts holds the supervisory charge of

Accounts and compilation Sections. There is one Deputy Director for Railway Audit who holds the direct charge of the Railway Audit I & II Sections. Assistant Comptroller and Auditor General (Budget) holds the charge of Commercial Audit Section.

Functions of Headquarters Office

Practically all original audit and accounting work is done in subordinate offices but to give an idea of the work dealt with in the Headquarters office, a brief description of the more important items of work dealt with in each section or branch is given below.

The work of the Receipt and Issue sections including "Old Record" as also of Office Establishment needs no elaboration, GE, NGE and Examination sections deal with all matters arising out of administering a department of 42,000 persons, temporary and permanent sanctions to posts, recruitment, training, examinations, promotion, conditions of service, discipline, appeals and memorials, service associations, deputations, foreign service leave, pensions, advances and amenities, contingent and miscellaneous expenditure, etc. The Budget section deals with the budgets of all offices of Audit and Accounts subordinate to the Comptroller and Auditor General, control of expenditure and reappropriations of the Audit Grant and scrutiny of Appropriation Accounts relating to the Audit Grant.

The functions of the Audit Sections consists mainly in seeing that provisions relating to financial powers and conditions of service in the Constitution of India and the laws, rules and orders made thereunder are correctly interpreted and applied in practice. In the fulfilment of these functions they constantly deal with the following classes of work:

(1) Review of audit decisions given by audit officers.

(2) Questions involving the interpretation of service rules and issues of Audit Instructions.

(3) Scrutiny of draft financial and service rules and code corrections proposed by the Government of India.

(4) Cases relating to the interpretation and application of the provisions regarding financial powers contained in the Constitution of India and Laws and Rules made thereunder. All Rules and Orders scrutinised and accepted in the Office of the Comptroller and Auditor General require no further scrutiny by any of the Audit Officers under him.

The Administration Sections deal with all matters of Audit and accounting procedure, generally administer the Codes of the Comptroller and Auditor General (excepting Account Code Vol. I & IV) including amendments thereto,

exercise control through periodical statements received from subordinate offices over the state of work therein, lay down work standards, deal with complaints regarding delays, etc., and investigate cases relating to failures of audit, fraud, embezzlements, losses, etc., in Audit and Accounts Offices, dispose of reports on the inspection of Audit and Accounts Offices by the Directors of Inspection and deal with all cases of consent audit.

The Report Sections deal with all matters relating to the duties imposed on the Comptroller and Auditor General in regard to Finance and Appropriation Accounts of the Union and States and Audit Reports thereon submitted to the President/Governor for being laid before each House of Parliament/ the State Legislature. These Accounts and Reports prepared by the Audit and Accounts Officers concerned are checked in these sections at the proof stage. The Compilation Section checks the figures. The Report Section, examines generally that the Accounts and Report have been prepared in accordance with Code Rules and other instructions, that the audit paragraphs in the Reports are clearly intelligible as respects the facts and that the paragraphs include *prima facie* fair and reasonable comment. The preparations and revision from time to time of the Epitome of the Reports from the Central Public Accounts Committee devolves on the section dealing with Central Reports.

The Compilation Section compiles the combined Finance and Revenue Accounts of the Central and State Governments in India, checks the Finance and Appropriation Accounts, supplies certain Accounts and statements required by Government periodically, works out and intimates annually to Accounts Officers the average rate of interest chargeable to nonspecific debt to be applied to capital outlay in Commercial Departments, computes and certifies the net proceeds of Taxes on income and Union Excise Duties in accordance with Arts. 170 and 272 of the Constitution, keeps watch on outstandings in the Review of Balances and Finance Accounts and maintains the Central Journal and ledger.

The Accounts Section considers all questions of accounts and classification and changes in rules and procedure relating to accounts. It also administers the Account Codes Vols. I & IV (*i.e.*, General Principles and Methods of Accounts and Accounts kept in Account Offices) including the List of Major and Minor Heads of Account. Any recommendation to the President for the opening of new Major Heads or any orders of the Comptroller and Auditor General opening a new Minor Head, or altering it emanate from this section. It deals with the Progress register of Exchange Accounts and watches the adjustment of transactions in the Central Adjusting Account.

Revenue Audit Section is of fairly recent growth and co-ordinates and

guides activities in the expanding fields of revenue audit.

The functions of Research and Statistics and Organisation and Methods are apparent from their nomenclature itself.

CHAPTER V

CIVIL OFFICES OF ACCOUNTS AND AUDIT

ACCOUNTANTS GENERAL FOR UNION AND STATES

The Indian Union consists of 17 States and 10 Union Territories. The States are Andhra Pradesh, Assam, Bihar, Gujarat, Haryana, Kerala, Madhya Pradesh, Madras, Maharashtra, Mysore, Nagaland, Orissa, Punjab, Rajasthan, Uttar Pradesh, Jammu & Kashmir and West Bengal. The Accountant General, Assam is also the Accountant General, Nagaland. There is a common Accountant General for Punjab and Haryana. There is an Accountant General for each of the other 15 States. The Accountants General are Heads of Departments under supplementary Rule 2(10). They audit the transactions of the Governments of their respective States and such of the Civil transactions of the Union arising in their territories the audit of which has not been centralised. The transactions of the Union Government (Civil) taking place throughout India are consolidated from month to month by the Accountant General, Central Revenues, to whom other Accounts Officers furnish the monthly accounts of Union transactions taking place in their account circles. In addition, some Accountants General (State) audit the transactions of the Union Territories, *viz.*, transactions of the Union Territories of Himachal and Chandigarh are audited by the Accountant General, Punjab; Haryana and Himachal, Manipur and Tripura by the Accountant General, Assam and Nagaland; Laccadive, Minicoy and Amindivi Islands by the Accountant General, Kerala; and Andaman and Nicobar Islands by the Accountant General, West Bengal. Besides the Maritime Accountants General, namely the Accountants General, Madras, Bombay, West Bengal and Kerala, conduct the audit of customs revenue accounts of the ports in their jurisdiction.

The State Accountants General are responsible for the local audit of commercial concerns of the States. However, in the States in which there is a regional office of the Director of Commercial Audit, the Regional Officer conducts the local audit. The draft audit reports in such cases are sent to the State Accountant General for further action.

Every State Accountant General is required annually to submit to the Comptroller and Auditor General the Finance Accounts and the Appropriation Accounts of the State and the Audit Report thereon for approval

and transmission to the Governor for being placed before the Legislature.

There are two Central Civil Offices of Accounts, *viz.*, that of the Accountant General, Central Revenues, and the Accountant General, Commerce, Works and Miscellaneous, located at New Delhi. The Office of the Accountant General, Central Revenues, audits the transactions of the Civil Departments of the Union other than those which occur in the States and are audited by the State Accountants General and those entrusted to the Accountant General, Commerce, Works and Miscellaneous. This office also audits the transactions of the Union Territories of Delhi and co-ordinates the Customs Revenue Audit under the control of the other Civil Audit Offices. The Accountant General, Central Revenues, is responsible to compile annually and submit to the Comptroller and Auditor General for approval and submission to the President to be laid before Parliament: (*a*) the Finance Accounts of the Union Government (Civil Defence Services, Railways and Posts and Telegraphs Department) and the Audit Report thereon, and (*b*) the Appropriation Accounts of the Union Government (Civil) and the Audit Report thereon.

The office of the Accountant General, Commerce, Works and Miscellaneous, is responsible for the audit of: (*i*) contracts placed by the Director General of Supplies and Disposals and his regional offices and payments made against those contracts; (*ii*) transactions of the Ministry of Works, Housing and Supply including their attached and subordinate offices throughout India other than the following: CPWD, Estate Office, Department of Explosives (Headquarters), National Building Organisation; (*iii*) transactions of the main Ministry of Food and Agriculture and their attached and subordinate offices in respect of their Food wing throughout India including the transactions pertaining to the procurement of foodgrains; and (*iv*) transactions of the Ministry of Commerce and Industry and Steel, Mines and Fuel including their attached and subordinate offices located at Delhi/Bombay/Calcutta, other than the following:

(*a*) Commercial Sections in the Indian Missions and Posts abroad,
(*b*) Show rooms and trade centres in the Indian Missions and Posts abroad,
(*c*) Participation in International Exhibitions and Fairs,
(*d*) Trade publicity,
(*e*) Expenditure on deputations abroad, and
(*f*) Purchase of goods in India.

The Accountant General, Commerce, Works and Miscellaneous has three separate Audit Offices under him located at New Delhi, Calcutta and Bombay each headed by a Deputy Accountant General.

All these Civil Audit Offices are combined Audit and Accounts Offices. They compile the accounts of the transactions which they audit. There are, however, several big Projects in India which have their own Accounts Officers who are usually their Financial Advisers also. In such cases the Accountant General's responsibility is confined to audit.

Constitution of a Civil Audit and Account Office

The office is for administrative purposes divided into several groups each of which functions as a self-contained unit under the charge of a group officer who is responsible for efficient administration and proper working of his group. Though the organisation may differ in certain details as between different offices, and particularly between the Central and States Accountants General, broadly the names of groups and their co-ordinating sections are as below:

Groups of Sections		*Co-ordinating Section*
Treasury Departmental Audit Department	..	TM
Gazetted Audit Department	..	GM
Miscellaneous	..	Central
Administration	..	—
Outside Audit Department (Civil)	..	—
Outside Audit Department (Works)	..	—
Works Audit Department		WM
Forest Audit Department	..	—

Each of the above groups is further sub-divided into sections. The Miscellaneous group comprises of Book, Budget, Appropriation Audit, Report, Loan, Foreign Claims, Pension, Compilation, Finance Accounts, Record (Type, Despatch, etc.) GP Fund, Contributory Provident Fund, Account Current, Higher Audit, Foreign Aid, Test Audit and Central Sections. The Administration group consists of Administration, Establishment, Training and Record (Central) Section. A number of Sections are placed under the immediate charge of an Assistant Accounts Officer or Assistant Accountant General. Each group is placed under a Deputy Accountant General.

The work of some of the more common sections is very briefly described below.

The accounts from Treasuries are compiled in the group called the Treasury/Departmental Audit Sections. Each Section may be made responsible either for all the vouchers obtained from particular Treasuries or for all vouchers relating to particular departments. The Comptroller and

Auditor General in consultation with the Accountant General decides which type of organisation will be more appropriate. The Departmental Audit Sections compile the accounts and audit most of the expenditure relating to non-gazetted establishment and contingencies, miscellaneous expenditure, grants-in-aid, etc. Special audit section are usually constituted for audit of departments like Police, Education, etc. Only the payments to non-gazetted establishment are dealt with in these sections.

The personal claims of gazetted officers and the Governor, members of the Legislature and Ministers as also Special Commissioners or Committees of Enquiry, are audited in the Gazetted Audit Sections which also authorise the Treasury of the amounts to pay to individual officers as their salary each month. These sections maintained leave accounts of gazetted officers and passage accounts where they are admissible. They also maintain scale audit registers to watch that sanctioned strength of cadres are not exceeded.

The Pension Sections are concerned with pension payments and their audit. They verify the length of service of a pensioner and the amount of pensions due, before the competent authority accords sanction to it. Where service has been rendered under different Governments, the proper allocation of pension among the Governments is the responsibility of the Pension Section. The Pension Payment Order on the strength of which the pensioner is able to draw his pension from the Treasury is issued by the Pension Sections. Anticipatory Pension Payment Orders are issued where there is likely to be delay in the final assessment of pension. These schemes also look after the work relating to the payment of gratuities, of commutation of pension and grants to political sufferers. Privy purse payments to Rulers of the former Indian States are made on the general authority issued to Treasury Officers from these sections.

The Provident Fund Sections are responsible for regulating admissions to Provident Funds and for scrutiny and record of nominations as also for proper maintenance of the provident fund accounts. Annually they calculate and credit interest and issue account statements showing the credit balance of each person contributing to the Fund. They also process papers relating to temporary and final withdrawals.

The transactions of the Public Works Departments are accounted and audited in the Works Audit Sections. The nature of the accounts maintained for public works is somewhat complicated. Monthly accounts with vouchers are received from Public Works Divisions. The Works Audit Sections compile the accounts relating to the works portion of the appropriation and finance accounts and audit them. Forest Audit Sections deal similarly with accounts received from Forest Divisions.

The Outside Audit Department is responsible for carrying out spot audits of the various offices submitting accounts to the Accountant General. Under the system of audit and accounting now in vogue in India the certification of facts and the maintenance of the initial accounts are left to the departmental authorities. The primary purpose of the Outside Audit Department is to spot check those initial accounts and see that the executive authorities maintain efficient financial control over their departments. Irregularities discovered are duly reported to them and if it is considered necessary brought to the notice of the Legislature through the Audit Report but the Accountant General's audit does not in any way relieve the executive authorities from their primary responsibilities in maintaining rigorous financial control. The Outside Audit work is carried out by several parties which move from place to place to the site of the initial accounts and carry out their audit.

The Book Section is responsible for preparing the monthly accounts of the State Government and also the portion of the Central transactions accounted by the Accountant General. The Book Section consolidates the accounts first prepared in the various departmental sections.

The Appropriation Audit and Report Section is responsible for the entire work of appropriation audit, both on behalf of the Legislature and on behalf of the Executive Government of the State and for the limited portion of the Central Government transactions audited by the State Accountant General. Any audit paragraph prepared by any section of the office is vetted here because the workers in this section are familiar with the requirements of the Legislature and how an irregularity should be presented to it. The Appropriation Audit and Report Section also watches the action taken by the State Government on the recommendations of the Public Accounts Committee.

The nature of the help rendered in the different States to the Government in regard to their Budget is not uniform. The Budget Section is responsible for giving such help as is expected from the Accountant General.

The Higher Audit Section's function broadly is to assist Government and Parliament in protecting the interests of the tax-payer and in developing revenue and effecting economies in expenditure wherever possible. Audit of expenditure with reference to financial propriety or its "wisdom, faithfulness and economy", suggestions designed to develop revenue, general scrutiny of *ex-gratia* payments, scrutiny of time honoured and long standing practices and payments which may be out of tune with present day conditions, review of important or peculiar contracts, examination of cases indicative of laxity on the part of controlling officers, financial stock-taking and reviews of schemes and projects, scrutiny of costing, pricing, etc., cases of wastage and

losses and various allied matters would all fall within the scope of investigation of this seetion.

An inspection unit termed the Internal Audit section test-audits the performance of the various sections to see that they are properly following all the rules and regulations required in each case. In general its responsibilities in a limited way are the same as those of the Director of Inspection with respect to the whole audit department.

In a large organisation some units have to be concerned solely with housekeeping functions. The Office Establishment (OE) Section looks after the recruitment, promotions and other matters connected with administering the staff. The Training Section makes arrangements for training recruits, for holding lectures, for conducting examinations, and for other like tasks. The Record Section is responsible for receiving correspondence, marking it to the appropriate sections, typing out letters, for indexing and maintaining the old records, and for obtaining stationery and forms from the appropriate department of the Government of India for use in the office.

Distribution of Work among the Gazetted Staff

The Accountant General is generally responsible for the whole work of the office, and, in particular, for the efficient administration of the establishment of his office. He is also in direct charge of the Budget Section and the Sections exercising Higher Audit and Appropriation Audit functions, except when otherwise permitted by the Comptroller and Auditor General. The scale of gazetted officers for each office has been fixed by the Comptroller and Auditor General. The distribution of work among them is left generally to the discretion of the Accountant General.

In a large office there is a Senior Deputy Accountant General. Senior and Deputy Accountants General are posted as such by the Comptroller and Auditor General. In offices where there are posts designated as Examiners (outside Audit or Local Audit Department), the Comptroller and Auditor General makes the postings of individual officers to these posts. The other officers in an office are designated either Assistant Accountants General (if belonging to the Indian Audit and Accounts Service) or Assistant Accounts Officers (Class II). The non-gazetted staff consists of (Class III) members of the Subordinate Accounts Service designated as "Superintendent", Selection Grade Clerks, Upper Division Clerks, Lower Division Clerks, Machinists, Personal Assistants and Stenographers and Class IV staff.

Composition of Staff

The sanctioned strength of all the 17 Civil Offices of Account and Audit taken together as on the 1st October, 1965 was as follows:

Gazetted staff	295	Officers of the Indian Audit and Accounts Service
	577	Assistant Accounts Officers (Class II)
Non-Gazetted Class (III)	2,774	Superintendents,
	18	Divisional Accountants,
	1,722	Selection Grade Clerks,
	17,001	Upper Division Clerks,
	3,665	Lower Division Clerks, Machinists,
	204	Personal Assistants and Stenographers,
	21	other Class III staff,
(Class IV)	3,889	Class IV staff, or
	30,166	in all as against a total strength of 42,325 for the entire Department.

CHAPTER VI

POSTS AND TELEGRAPHS ACCOUNTS AND AUDIT OFFICES

Structure

The Posts and Telegraphs Audit Offices are controlled and co-ordinated by the Accountant General, Posts and Telegraphs. His financial and administrative powers and responsibilities are those of any other Accountant General except for special authorisations and delegations to him made by Government from time to time. There are seven Posts and Telegraphs Audit Offices—Six Posts and Telegraphs Audit Offices and one Posts and Telegraphs Stores, Workshops and Telegraph Check Office. Five offices are located at Madras, Nagpur, Delhi, Hyderabad and Kapurthala and two offices are located at Calcutta including Posts and Telegraphs, Stores, Workshops and Telegraph Check Office. The Heads of all these branch offices are members of the Indian Audit and Accounts Service and designated as "Director of Audit and Accounts, Posts and Telegraphs" except Hyderabad and Kapurthala offices where the Head of the office is designated as "Deputy Director". The officer in charge of each of these subordinate offices is the Head of that office.

Composition of Staff

The sanctioned strength as on the 1st October, 1965 for the entire Posts and Telegraphs Audit Offices (including the Headquarters office of the Accountant General known as "Central Office") included 29 officers of the Indian Audit and Accounts Service, 84 Assistant Accounts Officers (Class II), 435 Accountants belonging to the Subordinate Accounts Service, 379 Selection Grade Clerks, 3,290 Upper Division Clerks, 2,358 Lower Division Clerks, 29 Personal Assistants and Stenographers, 554 other Class III staff and 666 Class IV staff or 7824 in all.

The Subordinate Accounts Service cadre and clerical cadres are localised and separate for each office.

Central Office

The Central Office is divided into the following Sections :

(1) Audit

(2) Administration
(3) Book and Budget
(4) Engineering and Code
(5) Establishment and Record
(6) Higher Audit
(7) Report
(8) Technical

The Gazetted staff of the Central Office consists of three officers of the Indian Audit and Accounts Service (including the Accountant General, Deputy Accountant General (Headquarters) and Assistant Accountant General), and one Assistant Accounts Officer (Class II).

The transactions of the Posts and Telegraphs Department taking place throughout India are consolidated monthly by the Accountant General, Posts and Telegraphs, from the figures furnished by his subordinate offices. While the transactions of the Posts and Telegraphs Department are included by the Accountant General, Central Revenues in the Finance Accounts, the Appropriation Accounts of the Posts and Telegraphs Department and the Audit Report thereon are required to be prepared and submitted by the Accountant General, Posts and Telegraphs to the Comptroller and Auditor General for approval and submission to the President for being placed before both Houses of Parliament.

Branch Audit Offices

The offices of the Director of Audit and Accounts, Posts and Telegraphs, Calcutta, Delhi, Madras, Nagpur and that of the Deputy Directors, Posts and Telegraphs, Kapurthala and Hyderabad are responsible for the audit and compilation of accounts of (*a*) Head Post Offices which include transactions on account of Postage, Money Orders, Savings Bank, Postal Life Insurance, Post Office Certificates, Broadcast receiver licences, in the case of certain Post Offices customs duty on letter mail articles and Postal Parcels containing dutiable articles received for delivery in India from foreign countries, in addition pay and allowances of staff, contingencies, etc., (*b*) Railway Mail Service Divisions, (*c*) Departmental Telegraph Offices, (*d*) Telegraph Engineering and Radio Offices, and (*e*) the Telephone Districts under their respective audit Jurisdiction. Each of them is usually divided into a number of Departments and Sections as follows:

(I) General Audit : Postal Accounts, Traffic Accounts, Railway Mail Service Accounts, Telegraph Engineering Establishment Audit, Gazetted Audit,

	Higher Audit, Pension, Fund.
(II) Technical Audit :	Telegraph Technical Audit (Works Audit and Audit of Telephone Revenues, preparation of bills against Railways, Canals and Guaranteed Offices).
	Money Orders, British Postal Orders, Indian Postal Orders, Saving Bank, Cash Certificates, Customs Duty.
(III) Miscellaneous :	Central, Miscellaneous, Inspections, Book, Account Current, Establishment and Record.

In respect of Works Accounts, responsibilities of Divisional Engineers, Telegraphs are analogous with those of Divisional Officers of the Public Works Department who render monthly accounts to the Audit Office.

The audit and accounts work in connection with purchase and sale of Government securities on behalf of Savings Bank depositors is conducted in the office of the Director of Audit and Accounts, Posts and Telegrpahs, Calcutta. The Director of Audit and Accounts, Posts and Telegraphs, Stores and Workshops also holds the charge of the Telegraph Check Office.

The Telegraph Check Office is responsible for the audit and accounting of the message revenue of the Indian Telegraph Department. This unit is divided into the following Departments and Sections:

Establishment and General Record
Receiving and Sorting
Message Record
Pairing
Inland
Foreign
Refund
Book and Budget
Miscellaneous Audit Section
Internal Audit.

Stores and Workshops Office is responsible for accounting and audit of accounts of the Telegraph Store Depots including the Store Depots attached to the Telephone District, as also the audit of accounts of Stores and Manufacturing operations of Telegraph and Telephone Workshops. This office is divided into a number of Departments and Sections as follows:

Record and Administration
Establishment Audit
Gazetted Audit

Pension Audit
Central
Miscellaneous
Fund
Higher Audit
Internal Audit

The Director of Audit and Accounts, Posts and Telegraphs Stores, Workshops and Telegraph Check, is assisted in his resident audit functions for the Stores and Workshops unit by Resident Audit Parties working under the direct charge of an Assistant Accounts Officer at Calcutta, Jabalpur and Bombay.

Each Head of the Branch Audit Office is directly subordinate to the Accountant General in all matters connected with its administration and distributes the work of his office among the Gazetted staff subordinate to him in such a manner that each officer may obtain a detailed knowledge of the work of the several sections of the office and so become qualified to take independent charge of the office should the necessity arise.

CHAPTER VII

RAILWAY AUDIT OFFICES

STRUCTURE

The responsibility of the Comptroller and Auditor General for the audit of Railway Accounts is discharged through the Additional Deputy Comptroller and Auditor General (Railways) and *ex officio* Director of Railway Audit, who conducts audit on behalf of and under the direction of the Comptroller and Auditor General. He is assisted at Headquarters by a Class II officer of the Indian Audit and Accounts Service, designated the Deputy Director of Railway Audit.

The Railway Audit Offices which conduct audit only and have no responsibility for the keeping of the accounts are under the control of the Comptroller and Auditor General of India. There are several local audit offices, apart from the co-ordinating office of the Additional Deputy Comptroller and Auditor General (Railways) for auditing the accounts of the Railways and the titles of the Heads of these offices with their headquarters are given below :

(1) Chief Auditor, Central Railway, Bombay.
(2) Chief Auditor, South Central Railway, Secunderabad.
(3) Chief Auditor, Western Railway, Bombay.
(4) Chief Auditor, Northern Railway, New Delhi.
(5) Chief Auditor, North Eastern Railway, Gorakhpur.
(6) Chief Auditor, North East Frontier Railway, Pandu.
(7) Chief Auditor, Eastern Railway, Calcutta.
(8) Chief Auditor, South Eastern Railway, Calcutta.
(9) Chief Auditor, Southern Railway, Madras.

In addition to Chief Auditors, special audit offices may from time to time be created for specific purposes. The functions of these offices and their position in the organisation of the Railway branch of the Audit Department are prescribed by special orders in each case.

The Senior Officer under the Chief Auditor is designated "Deputy Chief Auditor". Other officers of the Indian Audit and Accounts Service attached to Railway Audit Offices are designated "Assistant Chief Auditors" while gazetted officers other than those of the Indian Audit and Accounts Service are designated "Assistant Audit Officers".

FUNCTIONS OF HEADQUARTERS OFFICE

The Additional Deputy Comptroller and Auditor General of India (Railways) and *ex officio* Director of Railway Audit is responsible for scrutinising the adequacy and suitability of all instructions relating to the compilation of railway accounts and to the internal check procedure, whether these instructions be in the form of codes or otherwise. He is required to satisfy himself that such instructions are consistent with the relevant statutory rules and with the requirements of audit and accounts.

The Additional Deputy Comptroller and Auditor General of India (Railways) and *ex officio* Director of Railway Audit, is, in his own office, responsible for the audit of :

(1) sanctions having financial effect accorded by the Government of India other than those pertaining to an individual railway or Railway Accounts office;

(2) sanctions regarding financial rules and general orders issued by the President which are not of a general nature but are applicable exclusively to the Railway Department;

(3) tenders invited by the Railway Board for the purchase of cast iron and steel sleepers, rolling stock and other materials; and

(4) accounts maintained in the office of the Railway Board (Accounts Branch).

He also audits :

(1) budget orders issued at the commencement of the financial year;

(2) subsequent orders of re-appropriation against the vote of Parliament;

(3) orders of appropriation and re-appropriation issued by the President; and

(4) orders of regularisation of excesses issued after consideration of the Appropriation Accounts and the Audit Report.

The Additional Deputy Comptroller and Auditor General (Railways) is generally responsible for the audit of the monthly and annual accounts of Railways, and for scrutinising the railway portion of the Finance Accounts of the Union Government including the Annual Review of Balance as compiled by the Railway Board (Accounts). After check the material is forwarded to the Accountant General, Central Revenues. He also scrutinises the railway section of the "Combined Finance and Revenue Accounts of the Indian Union". The material for the Audit Report on the Finance Accounts is prepared partly by the Railway Board (Accounts) and partly by the Additional Deputy Comptroller and Auditor General (Railways).

As Director of Railway Audit he is also responsible for examining the Appropriation Accounts prepared by the Railway Board, for certifying to their accuracy and submitting the audit report thereon to the Comptroller and Auditor General for approval and submission to the President for being placed before both Houses of Parliament.

In order to avoid duplication in the presentation of material in the Audit Report on Appropriation Accounts an arrangement exists, according to which the topics are distributed between the Railway Board's Review and the Auditor General's Audit Report.

The Railway Board's Review will mention :

(1) Financial results,

(2) Changes in form and classification of accounts,

(3) General financial results of the year,

(4) An analysis of the broad results of Appropriation Audit (the budgeting of both receipts and expenditure being reviewed in a general way and under each grant),

(5) Excesses requiring regularisation, and

(6) Observations on miscellaneous financial topics, *e.g.*, Depreciation Reserve Fund, Revenue Fund, Development Fund, Capital Statements, Balance Sheets, Investments, Stores Balances, Grain shops, operating ratio (percentage of working expenses to earnings) of various Railways, Gross earnings, working expenditure, etc., of various Railways and Principal Statistics of Indian Railways. These are checked in draft by the Additional Deputy Comptroller and Auditor General (Railways).

The Railway Audit Report will mainly include: (1) comments on the Appropriation Accounts and the connected documents including the Railway Board's review thereon, (2) important financial irregularities and cases of losses, writes off, nugatory expenditure, and (3) other topics of interest.

Chief Auditors' Powers and Responsibilities

Chief Auditors are responsible for the detailed audit of the accounts of the Railways to which they are attached. They work under the supervision and direction of the Additional Deputy Comptroller and Auditor General and ex *officio* Director of Railway Audit. A Chief Auditor, subject to any general or special orders of the Director of Railway Audit, may prescribe the detailed instructions regarding the division of work and responsibility among his subordinate staff and other matters relating to the organisation of his office.

The Chief Auditors are responsible for conducting periodical inspections of the accounts records of executive offices.

The Chief Auditors are responsible for the efficient administration of the office at their headquarters and also generally responsible for the efficiency of the subordinate offices under their control situated outside headquarters. They are required to visit their subordinate offices as frequently as necessary and keep themselves informed of all matters of importance and interest relating to the local Railway Administration.

It often happens that even in respect of headquarters offices some portions of the office, such as the Workshops and the Stores Audit Offices, are situated at a distance from the Headquarters office. In such cases, as well as in the case of Divisional Offices where a gazetted officer is not posted at the divisional headquarters, these offices are visited by the Chief Auditor periodically.

Deputy Chief Auditors in the office of the Chief Auditors under whom they work are entrusted with the direct charge of some important Audit Sections and inspections. Sometime they are entrusted with some administrative duties under the directions of the Chief Auditor. Chief Auditors decide how far they can themselves take over the administrative duties and the extent to which they should utilise the services of the Deputy Chief Auditors for the purpose.

The Chief Auditor, Northern Railway, is also responsible for the scrutiny and audit of all sanctions and orders issued by the President or Government of India relating to through traffic and foreign traffic transactions with Pakistan, sanctions of Railway administrations relating to interchanged traffic between two or more Railways, rules and modifications issued by the Indian Railway Conference Association and all correction slips to tariffs and publications issued by the Association. The work of audit of Foreign Traffic earnings of Western Railway is also entrusted to him.

The Chief Auditor is responsible for seeing that the accounts have been correctly compiled by the Chief Accounts Officer and are in proper form, that no alteration in the form of the accounts or in classification is made without the approval of competent authority, that the system of internal check is efficient and that all appropriations or re-appropriations sanctioned by the General Manager or by subordinate authorities are in order.

The Chief Auditor is responsible for auditing the annual Review of Balances and the Appropriation Accounts of the Railway to which he is attached and certifying to their correctness.

Chief Auditors are Heads of Departments under Supplementary Rule 2(10).

The Audit Officers audit the accounts of the Railways indicated in their titles. Besides, the Chief Auditor, Eastern Railway, audits the accounts of the Chittaranjan Locomotives Works, Chittaranjan, and the Chief Auditor, Southern Railway, the accounts of the Integral Coach Factory, Perambur.

Organisation of a Chief Auditor's Office

A Railway Audit office is divided into Branches or Sections and a typical sectional organisation is as follows :

(I) General Audit Branch comprising :
- (1) Establishment and Provident Fund Audit Section.
- (2) Expenditure Audit Section.
- (3) Books Audit, Appropriation Audit and Report Section.
- (4) Inspection Section.
- (5) Administration Section.
- (6) Routine Section.
- (7) Central Section.

(II) Traffic Audit Section.

(III) Workshop Audit Section.

(IV) Stores Audit Section.

Composition of Staff

The Railway Audit Branch had on its strength on the 1st October, 1965 35 officers of the Indian Audit and Accounts Service, 60 Assistant Audit Officers, 291 Subordinate Accounts Service Acountants, 100 Selection Grade Clerks, 94 Upper Division Clerks, 172 Lower Division Clerks, 30 Stenographers and 348 Class IV staff or in all 1997 posts.

CHAPTER VIII

DEFENCE SERVICES AUDIT OFFICES

FUNCTIONS

The Audit of the accounts of the Defence Services is carried out by the various Defence Audit offices under the control of the Director of Audit, Defence Services, whose Headquarters office is located at New Delhi. These offices are responsible for audit only and not for keeping accounts. The main burden of scrutinising expenditure on Defence Services remains with the Defence Accounts Department. The function of the Defence Audit Department is primarily to examine the whole field of internal audit work done by the Defence Accounts Department to see that it is effective in nature and prompt in operation. The general method followed is to apply independent audit to the various areas of expenditure, those areas being selected, systematically so that nothing is left out. The Defence Audit Department has also been entrusted with the audit of certain receipts and Stores and Stock Accounts of the Defence Services under Rule 13(2) of the Audit and Accounts Order, 1936.

COMPOSITION OF STAFF

The sanctioned strength, as on the 1st October, 1965, for the Defence Audit Office (including the headquarters office of the Director) consisted of 14 officers of the Indian Audit and Accounts Service (including Director, 4 Senior Deputy Directors of Audit, 6 Deputy Directors and 7 Assistant Directors), 30 Assistant Audit Officers (Class II), 112 Accountants belonging to the Subordinate Audit Service, 38 Selection Grade Clerks, 350 Upper Division Clerks, 45 Lower Division Clerks, Machinists, etc., 15 Personal Assistants and Stenographers and 174 Class IV Staff or 778 in all. Assistant Audit Officers, Accountants and Upper Division Clerks are liable to be transferred to any of the offices of the Defence Audit Department in India. The entire staff of the Department in each category is borne on a single cadre and the Defence Audit Organisation is treated as a single unit. The Director of Audit is empowered to make distribution of the sanctioned strength up to the grade of Assistant Audit Officers according to the needs of each office under his control. The authority for the distribution of the

Indian Audit and Accounts Service posts vests with the Comptroller and Auditor General. The Director is a Head of Department under Supplementary Rule 2(10). He has several delegations of powers under various orders of Government issued from time to time.

Organisation of Headquarters Office

The Headquarters office of the Director of Audit, Defence Services, consists of seven branches, namely:

(1) Administration Section;
(2) Audit (I, II, III) Sections;
(3) Accounts;
(4) Report; and
(5) Provisioning Audit.

The gazetted staff of Headquarters office consists of 2 officers of the Indian Audit and Accounts Service (including the Director and the Senior Deputy Director) and four Assistant Audit Officers (Class II). Each Assistant Audit Officer is generally in charge of one or more Sections and submits important papers relating to those Sections to the Senior Deputy Director of Audit (Headquarters) or to the Director through the Senior Deputy Director in accordance with the instructions issued in this behalf.

Functions of the Headquarters Office

All sanctions of the Ministries of Defence and Finance (Defence), except those relating to Ordnance and Clothing Factories and Pensions, except in certain cases, are audited in the Headquarters office. It also carries out the audit of provisioning of stores at Defence Services Headquarters, Naval Stores office, Bombay and the Office of the Director General of Ordnance Factories, Calcutta. The scrutiny of Codes, Regulations and Standing Orders (with financial implications) and amendments thereto issued by the Government of India in the Ministry of Defence or other authorities subordinate to it devolves on the Director. Codes and Regulations issued for the guidance of the Defence Accounts Department are scrutinised in his Headquarters office. He further sees that changes in accounting methods which affect the Finance and Revenue Accounts have received the approval of the Comptroller and Auditor General.

The Finance Accounts and Appropriation Accounts for the Defence Services are prepared by the Financial Adviser (Defence). After check by the Director, the Finance Accounts with the Audit Report thereon go to the

Accountant General, Central Revenues, for submission to the Comptroller and Auditor General along with the Finance Accounts and Audit Report of the Central (Civil), Posts and Telegraphs and Railways which are all included in one publication. The Appropriation Accounts and Audit Report thereon are submitted by the Director with his certificate to the Comptroller and Auditor General for approval and submission to the President for being placed before both Houses of Parliament.

Organisation and Functions of Command Offices

Under the Director of Audit, Defence Services, there are eight command offices, namely :

(1) Office of the Senior Deputy Director of Audit, Defence Services (Factories), Calcutta.
(2) Office of the Senior Deputy Director of Audit, Defence Services, Southern Command, Poona.
(3) Office of the Deputy Director of Audit, Defence Services, Bombay.
(4) Office of the Deputy Director of Audit, Defence Services, Dehra Dun.
(5) Office of the Deputy Director of Audit, Defence Services, Central Command, Meerut Cantonment.
(6) Office of the Deputy Director of Audit, Defence Services, Western Command, Meerut.
(7) Office of the Deputy Director of Audit, Defence Services, Eastern Command, Patna.
(8) Office of the Deputy Director of Audit, Defence Services, (Pensions), Allahabad.

The Senior Deputy Director of Audit, Defence Services, Calcutta, is responsible for the central test-audit of the accounts of the Controller of Defence Accounts (Factories), Calcutta and the local test-audit of the accounts of all Ordnance and Clothing Factories in India. For the local test-audit of the accounts of the Army Factories, the Senior Deputy Director of Audit, Defence Services, Calcutta, has three sub-offices under him each in charge of an Assistant Audit Officer, at Kanpur, Kirkee and Jabalpur. These officers conduct the local test-audit of the factories in their respective areas as fixed by the Director and under the general control and supervision of the Senior Deputy Director. The Local Test Audit Reports relating to these audits are pursued with the Controller of Defence Accounts (Factories) by the Senior Deputy Director. The Senior Deputy Director is also the co-ordinating officer for all audit work relating to Railway Warrants and

Credit Notes other than Railway Warrants issued to Service Officers which are dealt with by the Pay Controllers concerned.

The Senior Deputy Director of Audit, Defence Services, Southern Command, Poona, is responsible for the central test-audit of the accounts of the Controller of Defence Accounts, Southern Command, Poona, the Controller of Defence Accounts (Officers), Poona and the Controller of Defence Accounts (other Ranks), Mysore and the local test-audit of the accounts of the Army Units and Formations and Pay and Accounts offices located in Southern Command with the exception of such units and formations the audit of which is entrusted to the Deputy Director of Audit, Defence Services, Bombay. The audit of certain M.E.S. formations in Central Command is conducted by him as decided by the Director of Audit from time to time for reasons of administrative convenience. He is the co-ordinating officer for the audit of the Individual Running Ledger Accounts of Other Ranks of the Army. These audits are conducted by the respective officers within whose audit area the Pay and Accounts offices maintaining the Individual Running Ledger Accounts are located but the Local Test Audit Reports are pursued with the Controller of Defence Accounts (Other Ranks) by the Senior Deputy Director.

The Deputy Director of Audit, Defence Services, Bombay, is responsible for the central test-audit of the accounts of the Controller of Defence Accounts (Navy), Bombay, the local test-audit of Naval Headquarters and all Naval Units and Formations, the audit of Navy list in the office of the Controller General of Defence Accounts; the local test-Audit of Army Units and Formations as are entrusted to him by the Director of Audit from time to time, the audit of the Annual Pro Forma Accounts of the Military Land Scheme, Bombay, on behalf of the Accountant General, Central Revenues, New Delhi; check of the rate list of Naval Stores in the office of the Deputy Assistant Financial Adviser, Bombay and audit of the accounts of the Central Stores Department (India), Bombay.

The Deputy Director of Audit, Defence Services, Dehra Dun, is responsible for the central test-audit of the accounts of the Controller of Defence Accounts (Air Force) Dehra Dun, the local test-audit of the accounts of Air Headquarters and all Air Force Units and Formations. He is also responsible for the test audit of the Air Force List in the office of the Controller General of Defence Accounts and the local test-audit of the accounts of the Army Units and Formations and Pay Accounts Offices in the Jammu and Kashmir area and those Units and Formations in the Eastern Command the audit of which has been entrusted to him. The Deputy Director of Audit has a sub-office at Bangalore in charge of an Assistant

Audit Officer, who conducts the local test-audit of Air Force Units and Formations located in the Southern Zone under the general control and supervision of the Deputy Director. The Local Test Audit Reports relating to these audits are pursued with the Controller of Defence Accounts (Air Force) by the Deputy Director.

The Deputy Director of Audit, Defence Services, Central Command, Meerut, is responsible for the central test-audit of the accounts of the Controller of Defence Accounts, Central Command, Meerut, and the Controller of Defence Accounts (Fund), Meerut, the local test-audit of the accounts of the Army Units and Formations and Pay and Accounts Offices, in the Central Command, except those units and formations, the audit of which is entrusted to any other Senior Deputy/Deputy Director of Audit, Defence Services from time to time for reasons of administrative convenience.

The Deputy Director of Audit, Western Command, Meerut, is responsible for the central test-audit of the accounts of the Controller of Defence Accounts, Western Command, Meerut, including Deputy Controller of Defence Accounts, Pay Section, New Delhi, the local test-audit of Army Headquarters and Army Units and Formations and Pay and Accounts offices located in Western Command except those in Jammu and Kashmir Area, the local test-audit of the Army List in the office of the Controller General of Defence Accounts and the local test-audit of Units and Formations under the control of Director General, Border Roads.

The Deputy Director of Audit, Defence Services, Eastern Command, Patna, is responsible for the central test-audit of the accounts of the Controller of Defence Accounts, Patna, the local test-audit of the accounts of the Army Units and Formations and Pay and Accounts offices in the Eastern Command and in Bihar and Orissa Independent Sub-area. He has under his administrative control an Assistant Audit Officer, and two local test-audit parties stationed at Calcutta.

The Deputy Director of Audit, Defence Services, Pensions, Allahabad, is responsible for the central test-audit of the accounts of the Controller of Defence Accounts (Pensions) Allahabad and the local test-audit of the accounts of the Army Units and Formations as entrusted to him by the Director of Audit from time to time.

Since the 1st October, 1964, the Command Office at Western Command, Meerut, has been upgraded and is now held by a Senior Deputy Director.

Structure of Command Offices

Each Command Office has two groups, *viz.*, Central Test Audit group,

Local Test Audit group.

The Central Test Audit group is composed generally of two or more Accountants with a few clerks. It is attached to the office of the Controller and is employed on test-audit of the work of each Section of the Controller's office. One of the Accountants looks after Administration work in the Command office in addition to his audit duties.

Test Audit sections conduct a general scrutiny of all sanctions accorded by authorities at Services Headquarters and lower authorities and pick out cases which are *prima facie* irregular. Such selected cases are investigated thoroughly.

Local Test Audit sections are entrusted with the audit locally of cash and store accounts and other documents maintained by Units and Formations (including Ordnance and Clothing Factories) the audit of which cannot be conducted by the Central Audit Section. This work is carried out through Local Test Audit parties each consisting generally of one Accountant and two clerks. Where the audit involves considerable time, the strength of the clerks may be increased to three. The audit conducted by the Local Test Audit parties is supervised by a Gazetted Officer. The supervising officer discusses with the Officer Commanding and other executive heads all cases of irregularities noticed in the course of audit of the Unit and Formation and makes every effort to settle as many objections as possible on the spot.

CHAPTER IX

COMMERCIAL AUDIT OFFICES

Headquarters Office

The Director of Commercial Audit is the Principal Auditor for the local audit of Commercial Undertakings of the Government of India except (1) departmental commercial units of the Ministries of Defence and Railways, audit of which is done by the Director of Audit, Defence Services and the Director of Railway Audit respectively, and (2) certain statutory corporations which have been placed outside the jurisdiction of the Comptroller and Auditor General. The central audit and accounting of all Central (other than Defence and Railways) and State Commercial Undertakings in cases where their transactions come within the Consolidated Fund or Public Account is the responsibility of the Accountant General concerned.

The Director of Commercial Audit ranks as an Accountant General and has been declared Head of the Department under Supplementary Rule 2(10). At Headquarters, the Director of Commercial Audit is assisted by one Deputy Director and three Assistant Audit Officers (Class II). The Headquarters office is divided into following sections :

Administration
Report
Higher Audit
General
Record

Each Assistant Audit Officer is in charge of one or more sections.

Functions

The main function of the Commercial Audit organisation is the local audit of Government Commercial concerns, which is done by field audit parties each of which generally consists of a few Accountants and Clerks under the supervision of a Gazetted Officer. In the case of certain large concerns audit is conducted concurrently by Resident Audit Offices. For the rest audit is conducted by peripatetic parties.

The object is (1) to secure that the Commercial Accounts present a full and true picture of the financial results of the undertakings in terms of

commercial ideas of liability and asset, debit and credit and profit and loss; (2) to ensure that the subsidiary accounts are so prepared as to render it possible to compare, as far as may be, the relative efficacy of Government trading and manufacturing institutions with one another or with similar institutions not controlled by Government; and (3) to verify the correctness of the allocation of expenditure between capital and Revenue, the valuation of assets on a reasonable basis and the adequacy of the provision for depreciation and bad debts.

In addition Government audit attempts to cover "efficiency-cum-propriety" in addition to regularity and this aspect has been dealt with in great detail in Chapter XIV under Audit of Public Enterprises.

The Director of Commercial Audit is responsible for submitting to the Comptroller and Auditor General the Central Government Audit Report (Commercial) for approval and submission to the President for being placed before both Houses of Parliament. Taking into consideration the number of Commercial Undertakings, the amount of money invested in them and the complex nature of these organisations, this Report, since 1963, is in a separate volume. The Report deals in separate chapters with (1) Statutory Corporations, (2) Government Companies, and (3) Departmentally managed Government Commercial and Quasi-Commercial Undertakings. The Committee on Public Undertakings deals with the first two and the Public Accounts Committee with the third category.

Regional Offices

In addition to the Headquarters office of the Director, there are regional offices at Bombay, Bangalore, Calcutta, New Delhi and Ranchi. The regional offices at Bombay, Ranchi and Bangalore are under the charge of Senior Deputy Directors and those at New Delhi and Calcutta are under the charge of Deputy Directors. With the expansion of the organisation more regional offices are expected to be established at other places. Pending the take over of the entire work by the Director of Commercial Audit, the audit of some Government of India concerns is being conducted by certain Accountants General on his behalf. The audit reports in such cases are sent by the Accountant General to the Director of Commercial Audit who takes further action thereon.

The regional offices at Bombay, Bangalore and Calcutta also conduct the local audit of the State Commercial concerns of Maharashtra, Gujarat, Mysore and West Bengal on behalf of the respective Accountants General and the audit reports in respect thereof are passed on to the

latter for further action.

The regional office is broadly divided into the following sections, *viz.*, Administration, Establishment, Report and Local Audit.

Composition Of Staff

As on the 1st October, 1965 the staff pertaining to the whole Department was as follows :

Officers of the Indian Audit and Accounts Service	..	18
Assistant Audit Officers	..	51
Subordinate Accounts Service	..	178
Selection Grade Clerks	..	33
Upper Division Clerks	..	419
Lower Division Clerks	..	95
Personal Assistants and Stenographers	..	10
Class IV staff	..	207
Total	..	1011

CHAPTER X

AUDIT OFFICES ABROAD

Office of the Director of Audit, Indian Accounts in the United Kingdom, London

Functions

The Chief Accounting Officer to the High Commissioner for India, London, has an account at the Reserve Bank of India, London and deals with a variety of claims, prepares the Budget estimates for transactions relating to the Union and State Governments that are finally booked by him as also concerned Appropriation Accounts, prepares monthly accounts of Union and State transactions booked finally by him and the Remittance Accounts between England and India which are eventually incorporated by Accounts Officers in the accounts kept in India under appropriate heads of accounts and also performs various miscellaneous duties. The payments made in the United Kingdom broadly fall into the following categories: (1) Personal Payments which include pension, leave and deputation pay, sterling overseas pay, study leave allowance, motor car and other advances, etc., of the services as authorised by various Accountants General and Controllers of Accounts in India, payments to local cadre staff and India based Civilian and Military staff, (2) Miscellaneous and Stores Payments which include Indian Stores Department (United Kingdom) payments, Indian Stores Department (continental) payments, Ocean freight claims, claims in respect of Direct Contracts placed by India for Stores of the United Kingdom, Continental or Japanese Origin, payments for supplies and services received from the United Kingdom Government Ministries for the Indian Defence Services, Steel Project payments, Food Shipment payments and miscellaneous payments on Establishment, official entertainment, scholarship, partial assistance to needed students, etc., (3) In addition there are transactions arising out of various credit agreements.

All these payments and accounts thereof come under the scope of the audit of the Director of Audit, Indian Accounts, London. The division of responsibility for various audit processes as between Audit Officers in India and the Director of Audit in London is as prescribed by the Comptroller and Auditor General. In general the Director's

responsibilities are those of Audit Officers where Audit has been separated from Accounts.

The High Commission, London, finances the Embassies in Europe. Local Audit of these Embassies is done by the Director's office.

Composition of Staff

The sanctioned strength as on the 1st October, 1965 included six officers of the Indian Audit and Accounts Service (including the Auditor equivalent to the rank of an Accountant General and five Assistant Directors), 21 Subordinate Accounts Service Accountants designated as "Executive Officers", six clerical officers corresponding to Upper Division Clerks, two Lower Division Clerks and three Personal Assistants and Stenographers.

Office of the Director of Audit, Indian Accounts, Washington

Functions

The Audit Office, Indian Accounts, Washington, D.C., was set up in November 1951 for the purpose of conducting concurrent audit of all transactions in respect of stores purchased through the agency of the India Supply Mission, Washington, audit of chartering contracts and payments and local audit of the Government of India Missions and establishments in the North and the South Americas, the central audit of which is conducted by the Audit Offices in India to whom monthly accounts are rendered for the purpose. The monthly administrative accounts of the Embassy of India, Washington, and the monthly purchases and Administrative accounts of the India Supply Mission are also checked by this office. This office is further responsible to the extent prescribed by the Comptroller and Auditor General, for the audit of transactions, relating to the Technical Co-operation Administration and other agreements such as Public Law 480 and the loans obtained by the Government of India from the United States of America and for checking the investments of surplus dollar funds of the Government of India in the United States of America.

The Director is responsible for the preparation of draft paragraphs or notes in respect of transactions audited by him and for their settlement with the Ministry or Department concerned.

There are numerous orders of Government relating to delegation of financial powers to the Directors in London and Washington.

Composition of Staff

The sanctioned strength as on the 1st October, 1965 included 2 officers of the Indian Audit and Accounts Service designated as "Director of Audit" and "Deputy Director of Audit" and non-gazetted establishment consisting of 6 Accountants of the Subordinate Accounts Service, 2 Stenographers and one Senior Clerk. The posts are temporary and are sanctioned by the Comptroller and Auditor General on a year to year basis. Appointment to the posts of the Subordinate Accounts Service Accountants and the India-based Stenographer is made by the Comptroller and Auditor General. The local recruits are appointed by the Director of Audit.

Audit of Embassies in other Foreign Countries

Expenditure incurred in other places outside India is under the audit control of the Accountant General, Central Revenues or the Accountant General, Commerce, Works and Miscellaneous, the latter officer being concerned mostly with the audit of expenditure on overseas purchases.

CONSOLIDATED STATEMENT SHOWING THE SANCTIONED STRENGTH AS ON 1ST OCTOBER 1965 OF THE INDIAN AUDIT AND ACCOUNTS DEPARTMENT

Sl. No.	Name of Office	Gazetted Strength			Non-Gazetted Strength									
		I.A. & A.S.*	A.A.Os.	Total	S.A.S.	D.As.	S.G.Cs.	U.D.Cs.	L.D.Cs. & Ma-chinists	P.As. & Stenos	Other Class III	Total Class III	Class IV	Grand Total
1.	C. & Ar. G. of India	19	11	30	92	..	45	93	71	22	7	330	106	466
2.	Accountant General, Andhra Pradesh	21	41	62	185	2	130	1208	288	16	1	1830	293	2185
3.	A.G., Assam & Nagaland ..	11	29	40	158	..	94	983	159	10	1	1405	231	1676
4.	A.G., Bihar	21	43	64	231	..	126	1195	243	10	1	1806	270	2140
5.	A.G., Central Revenue	24	24	48	141	..	87	884	196	16	2	1326	241	1615
6.	A.G., Commerce, Works and Miscellaneous	16	35	51	134	1	82	786	172	14	..	1189	201	1441
7.	A.G., Gujarat	17	23	40	126	1	77	717	163	13	1	1098	156	1304
8.	A.G., Jammu and Kashmir	8	16	24	75	..	47	427	102	7	..	658	118	800
9.	A.G., Kerala	9	22	31	110	..	77	720	134	7	2	1050	119	1200
10.	A.G., Madhya Pradesh	19	43	62	205	1	102	1299	233	13	2	1855	259	2176
11.	A.G., Madras	16	36	52	165	..	107	1009	260	11	1	1553	193	1798
12.	A.G., Maharashtra	25	36	63	192	2	129	1225	323	16	2	1889	259	2211
13.	A.G., Mysore	14	26	40	136	..	92	880	156	9	3	1276	186	1502
14.	A.G., Orissa	14	25	39	120	..	76	736	133	10	..	1075	178	1292
15.	A.G., Punjab	18	39	57	178	..	111	1122	237	14	..	1662	243	1962
16.	A.G., Rajasthan	13	29	42	133	1	83	833	148	10	..	1208	211	1461
17.	A.G., Uttar Pradesh	25	50	75	232	2	158	1540	337	14	1	2284	360	2719
18.	A.G., West Bengal (including L.A.D.)	23	54	77	243	2	138	1393	369	13	4	2162	342	2581
19.	Damodar Valley Corporation ..	1	4	5	10	6	6	44	12	1	..	79	19	103
20.	Director of Commercial Audit Orgn.	18	51	69	178	..	33	419	95	10	..	735	207	1011
21.	P. & T. Audit Offices	29	84	113	435	..	379	3290	2358	29	554	7045	666	7824
22.	Rly. Audit Offices	35	60	95	291	..	100	961	172	30	..	1554	348	1997
23.	Defence Audit Offices	14	30	44	112	..	38	350	45	15	..	560	174	778
24.	Director of Audit, Indian Accounts, London	6	..	6	21	..	..	6	2	3	..	32	..	38
25.	Director of Audit, Indian Accounts, U.S.A., Washington	2	..	2	6	..	..	1	..	2	..	9	..	11
26.	I.A. & A.S. Trg. School, Simla. ..	1	1	2	4	..	..	3	3	1	..	11	21	34
	TOTAL	419	814	1233	3913	18	2317	22124	6411	316	582	35681	5411	42325

*Excludes Leave and Training Reserve posts as also the Deputation Reserve posts.

PART III

Personnel System

CHAPTER XI

GENERAL OUTLINES AND CONDITIONS OF SERVICE

CLASSIFICATION OF SERVICES

Four Classes

The services and posts in the Indian Audit and Accounts Department, like all other services and posts under the Central Government, are divided into four classes—I, II, III and IV. The Indian Audit and Accounts Service is a Class I Service. Under Class II come Assistant Accounts/Audit Officers and the Assistant Private Secretary to the Comptroller and Auditor General of India. Under Class III are Superintendents, Subordinate Service Accountants, Senior Divisional Accountants, Divisional Accountants, Upper Division Clerks (Selection Grade), Stenographers, Cashiers, Upper Division Clerks, Junior Accountants, Assistant Cashiers, Draftsman, Technical Assistant, Caretakers, Lower Division Clerks and Typists, Telephone operators, Sorters, Staff Car driver and Senior Gestetner operators. Class IV comprises Record Sorters, Daftries, Jamadars, Peons, Darwans, Sepoys, Chowkidars, Farashes, Waterman, Fireman and Mali. The last seven categories are in some offices only.

Gazetted and Non-Gazetted

Another division is in two broad categories, *viz.*, "Gazetted" and "Non-gazetted". This is a general feature in common with other Departments of the Central Government. Officers in Class I and in Class II fall under the former. Their appointments, leave, transfers, retirements, etc., are notified in the Gazette of India. They deal direct with the Audit Officer and the Treasury Officers or other corresponding paying authorities in regard to their pay and allowances, leave, salary, etc. The Class III and IV services and posts fall under the non-gazetted category. Their pay and allowances are drawn by Heads of offices or an officer of the Department, who is declared Drawing Officer, and disbursed to them.

Ministerial and Non-ministerial Officers

Officers are also classified into "Ministerial" and "Non-ministerial"

based on the nature of their duties. Ministerial officers are officers whether Gazetted or not whose duties are not of an administrative or executive character but who are employed as members of an office establishment. Officers of the Indian Audit and Accounts Service are non-ministerial officers. Assistant Accounts Officers were declared[1] as non-ministerial officers in 1918. The rest are ministerial officers.

Conditions of Service

The conditions of service of persons serving in the Indian Audit and Accounts Department are generally those applicable to the corresponding officers of the other Central Services. Under Art. 148(5) of the Constitution it is necessary when it is intended to apply to persons serving in the Indian Audit and Accounts Department any rules made by the President under the proviso to Art. 309, that the point should be specifically brought to the notice of the Comptroller and Auditor General, and his opinion obtained as to whether or not such rules should be made so applicable. It is also technically necessary to specify in the notification of any rule made by the President under the proviso to Art. 309 and applied to persons serving in the Indian Audit and Accounts Department that in its applications to such persons it has been made also under Art. 148(5) of the Constitution after consultation with the Comptroller and Auditor General. The position stated above applies *mutatis mutandis* to orders and instructions of an executive or administrative nature issued by the Government of India after the 25th January, 1950, in so far as they affect the conditions of service of persons in that Department. The reason for this special provision in the Constitution has been explained in Chapter II.

Service Rules

The Constitution provides for legislation by Parliament for regulating the recruitment and conditions of service of persons appointed to public services and posts in connection with the affairs of the Union and pending such legislation empowers the President to make rules for this purpose. All offices are held at the pleasure of the President but the Constitution provides some safeguards to the services in his exercise of such pleasure where it involves the imposition of major punishments.

Pending legislation by Parliament, some of the important Service Rules applicable to persons appointed (with the exception of (9)) to services and

[1] Government of India, Finance Department No. 503-F.E., dated the 2nd May, 1918.

posts in connection with the affairs of the Union (with their amendments from time to time as have been since the 26th January, 1950 or may be issued after consultation with the Comptroller and Auditor General) which are also applicable to persons serving in the Department are:

(1) The Central Civil Services (Classification, Control and Appeal) Rules, 1965 and rules made thereunder;
(2) The Central Civil Services (Conduct) Rules, 1964;
(3) Fundamental Rules and Supplementary Rules issued thereunder, the Revised Leave Rules, 1933 and orders issued under the Leave Travel Concession Scheme for journeys to home town;
(4) The Civil Service Regulations (for pension) and the Liberalised Pension Rules, 1950, the new scheme for Family Pensions, 1964, the Central Civil Services (Extraordinary Pension) Rules, and Civil Pension Commutation Rules;
(5) The Central Civil Services (Revised Pay) Rules 1960;
(6) The Central Services (Medical Attendance) Rules;
(7) The Central Civil Services (Temporary Service) Rules;
(8) Civil Services (Safeguarding of National Security) Rules, 1953;
(9) Central Civil Services (Audit and Accounts Department Transferred Employees) Rules, 1956; and The Central Civil Services (Part B States Transferred Employees) Rules, 1953;
(10) General Provident Fund (Central Services) Rules, and
(11) Orders under the Dearness Allowance, House Rent Allowance, City Compensatory Allowance and Children's Educational Allowance Schemes.

There are, besides, a large number of rules and executive orders regarding the domicile of candidates for appointment to Government service, educational qualifications, age limits, reservations for Scheduled Castes and Scheduled Tribes, verification of character and antecedents, medical examination on first appointments, Oath of allegiance to the Constitution, hours of work and so on. Scales of remuneration to staff in the Department, recruitment, training, etc., are dealt with in Chapter XII. Powers of the Comptroller and Auditor General in regard to the services in the Department are detailed in Chapter XXI.

The rules regarding conditions of service are so many and so detailed that nothing more than a broad outline of them can be attempted regarding most of them here.

Communal Representation in Services

Communal representation in services in India has an interesting history and keeping in view readers in other countries is dealt with at some length here. In 1924, the Hon'ble Moulvi Abdul Karim of Bengal, MLA, drew up an exhaustive note on the inadequacy of Muslim representation in the services which was followed up by a deputation of the Muslim members of the Legislature which waited on His Excellency Lord Reading. As a result of these representations, the policy in the matter was announced in the Council of State by Sir Alexander Muddiman on the 22nd March, 1925. The Government of India, Home Department, issued in 1925 and in 1926 instructions as to the measures to be adopted for securing the appointment of members of the minority community in the various[2] services. The policy of Government was to prevent the preponderance of any one Class or Community and towards this end, it was laid down that one third of all permanent vacancies should be reserved for the redress of communal inequalities in all future recruitment. This did not apply to promotions. This principle was put into effect in the case of the Indian Audit and Accounts Service and the clerical establishment in the Indian Audit and Accounts Department. While the Government of India accepted the principle that no community should be allowed to secure an undue preponderance in the services, it consistently declined to undertake the representation of individual communities in Government service. A substantial proportion of vacancies was reserved for the minority communities, of whom the Muslim Community was the most numerous. Further than this, however, the Government would not then go.

In 1933-34, the Government of India reviewed the results of the policy followed since 1925 of reserving a certain percentage of direct appointments to Government service to redress communal inequalities, in accordance with undertakings given in the Legislative Assembly. It had been represented that though this policy had been adopted mainly with the object of securing increased representation for Muslims in the public services, it had failed to secure for them their due share of appointments and it had been contended that this position could not be remedied unless a fixed percentage of vacancies was reserved for Muslims. The Government of India felt satisfied by the enquiries they made that the instructions regarding recruitment must be revised with a view to improving the position of Muslims in the services.

[2] Government of India, Home Department No. F. 176/25 Ests., dated the 15th July, 1925 and 5th February, 1926.

According to the revised instructions[3] in respect of direct recruitment to the Indian Audit and Accounts Service 25 per cent of such vacancies were reserved for Muslims and $8\frac{1}{3}$ per cent for other Minority Communities without any fixed proportion for each. The same percentages applied for direct recruitment to Ministerial establishments in the Department where recruitment was on all-India basis, *e.g.*, Military Test Audit Branch under the Director of Army Audit. Where recruitment was by local areas, *e.g.*, Civil Accounts Offices in the Provinces the total reservation for the whole of India was to be obtained by fixing a percentage for each local area having regard to the population ratio of Muslims and other minority communities in the area and the rules for recruitment adopted by the local Government of the area concerned. Existing procedures continued to apply for the Audit and Accounts Offices in Burma. To secure fair representation to Depressed Classes, duly qualified members of that service could be nominated even though recruitment was by competition. Such nominations would not affect the percentages mentioned earlier. In the then state of general education among these classes Government did not consider that any useful purpose would be served by reserving for them a definite percentage of vacancies.

In the Supplementary instructions issued by Government, a model rotation for filling vacancies on all-India basis was drawn up providing in a specified order in 12 vacancies, 3 for Muslims and 1 for other Minority Communities. Any appointments made contrary to the orders and instructions were to be regarded as null and void and should be cancelled as soon as it was brought to notice.[4]

In 1943 reviewing the position in regard to Depressed Classes, since described in the Government of India Act, 1935 as "Scheduled Castes", the Government of India considered[5] that the reservation of a definite percentage of vacancies might provide the necessary stimulus to candidates of these castes to obtain better qualifications and thus make themselves eligible for various Government posts and services. The Government believed that the grant of age concessions and the reduction of prescribed fees might also help to secure qualified candidates from among members of the Scheduled Castes. On the basis of the proportion which the Scheduled Castes bore to the population of other communities entitled to a share in the unreserved vacancies,

[3] Government of India, Home Department No. F. 167-27-Ests., dated the 7th January, 1928.

[4] Government of India, Home Department No. F. 14/17-B/33-Ests., dated the 4th July, 1934.

[5] Government of India, Home Department Resolution No. 23/5/42-Ests.(S), dated the 11th August, 1943.

the Scheduled Castes would be entitled to 12·75 per cent out of the total number of such vacancies. (Scheduled Castes were Hindus under the famous Poona Agreement of 1932 which resulted from one of Mahatma Gandhi's fasts unto death.) The Government, however, thought it not likely that sufficient number of candidates from the Scheduled Castes would be forthcoming to fill the full number of vacancies and for the time being it would be sufficient to reserve a somewhat smaller percentage, *viz.*, $8\frac{1}{3}$. It was accordingly ruled that $8\frac{1}{3}$ per cent of all vacancies to be filled by direct recruitment of Indians in the Central and Subordinate services to which recruitment was made on an all-India basis would be reserved for Scheduled Castes candidates. In the cases in which recruitment was made by local areas or circles, the total reservation, for India as a whole, of $8\frac{1}{3}$ per cent of vacancies for Scheduled Castes would be obtained by fixing a percentage for each local area or circle, having regard to the population of Scheduled Castes in the area or circle concerned and the rules for recruitment adopted by the Provincial Government of the area or circle concerned.

When recruitment was made by open competition and Scheduled Castes candidates obtained fewer vacancies than were reserved for them, the difference would, if possible, be made up by the nomination of duly qualified candidates of those castes.

If Scheduled Castes candidates obtained less than the number of vacancies reserved for them in open competition and duly qualified candidates of these castes were not available, or not available in sufficient numbers, for nomination, the remaining vacancies reserved for such candidates would be treated as unreserved; but a corresponding number of vacancies would be reserved for the Scheduled Castes in the following year in addition to such number as would ordinarily be reserved for them in that year.

If duly qualified candidates of the Scheduled Castes were again not available to fill the vacancies carried forward from the previous year the vacancies not filled by them would be treated as unreserved.

In all cases, a minimum standard of qualification would be prescribed and the reservation would be subject to this condition.

The maximum age limit prescribed for appointment to a service or post would be increased by three years in the case of candidates belonging to the Scheduled Castes.

The fees prescribed for admission to any examination or selection would be reduced to one fourth in the case of candidates belonging to the Scheduled Castes.

The orders would also be applied to temporary vacancies lasting three months or longer, including vacancies in permanent posts filled temporarily

by persons not permanently employed in Government service.

The model roster for recruitment on all-India basis was amended to show that out of 2 (sixth and seventh) unreserved vacancies, one (the sixth) would go to Scheduled Castes. The amended roster stood as follows : (1) unreserved, (2) Muslim, (3) unreserved, (4) unreserved, (5) Muslim, (6) Scheduled Castes, (7) unreserved, (8) other minority communities, (9) unreserved, (10) unreserved, (11) Muslim, (12) unreserved.

On the attainment of Independence and the Partition of India from the 15th August, 1947, the Government of India, after reviewing the policy relating to future recruitment to the Central Services under the Indian Dominion, decided[6] as follows: In future, appointment to Government services should be made as far as possible so as to secure the best available candidates. However, the Scheduled Castes, in view of their backward state, required special encouragement. Accordingly, where recruitment was made by open competition, that is, through the Federal Public Service Commission or by means of open competitive tests held by any other authority, appointments would be made strictly on the results of the competition subject to a reservation of 12½ per cent of the vacancies filled by direct recruitment in favour of Scheduled Castes.

In regard to posts which were filled from the open market otherwise than by competition recruitment should be made approximately in proportion to the population of the various communities in the Dominion and the following percentages of reservation were accordingly fixed for such recruitment:

	Percentage
Hindus (including Jains but excluding Scheduled Castes)	60
Scheduled Castes	16⅔
Muslims	13⅓
Other communities	10

These percentages would apply only to services and posts for which recruitment was made on an all-India basis. In the case of services or posts for which recruitment was confined to a particular area or locality, the reservations would be fixed so as to be approximately proportional to the percentages of population of the various communities in the area or locality concerned.

Clarificatory instructions were also issued and a new roster in

[6] Government of India, Home Department No. 31/93/47-Ests.(S), dated the 22nd August, 1947 and No. 31/111/47-Ests.(S), dated the 20th July, 1948.

respect of services for which recruitment was on an all-India basis drawn up.

In 1948, the communal reservation orders were made applicable to Class IV services so far as Scheduled Castes were concerned. It was considered impracticable to apply the rules in *toto* including all other communities. The percentage of $12\frac{1}{2}$ for Scheduled Castes could be varied suitably when recruitment area was in a Province where the percentage of population of the Scheduled Castes was substantially above or below $12\frac{1}{2}$ per cent. In such cases, however, the variation had to be so calculated that the average variation for the whole country approximated to $12\frac{1}{2}$ per cent.

The Government of India again reviewed its policy in regard to communal representation in the light of the provisions of the Constitution of India which lay down, *inter alia*, that with certain exceptions no discrimination should be made in the matter of appointments to the services under the State on grounds of race, religion, caste, etc. So far as the Indian Audit and Accounts Department is concerned the only exception that is applicable to it along with other Departments is that relating to the Scheduled Castes and Scheduled Tribes. Under the instructions issued by the Government of India in September[7] 1950 the following reservations were made :

(1) *Scheduled Castes :* The existing reservation of $12\frac{1}{2}$ per cent of vacancies filled by direct recruitment in favour of the Scheduled Castes was to continue in the case of recruitment to posts and services made, on an all-India basis, by open competition, *i.e.*, through the Union Public Service Commission or by means of open competitive tests held by any other authority. Where recruitment was made otherwise than by open competition, the reservation for Scheduled Castes would be $16\frac{2}{3}$ per cent as already in vogue.

(2) *Scheduled Tribes :* Both in recruitment by open competition and in recruitment made otherwise than by open competition there would be a reservation in favour of members of Scheduled Tribes of 5 per cent of the vacancies filled by direct recruitment.

The reservations would apply in the case of recruitment made on all-India basis. Under the Constitution, all citizens of India are eligible for consideration for appointment to posts and services under the Central

[7] Government of India, Ministry of Home Affairs Resolution No. 42/21/49 NGS, dated the 13th September, 1950.

Government irrespective of their domicile or place of birth and there can be no recruitment to any Central Service which is confined by rule to the inhabitants of any specified area. In practice, however, recruitment to Class I and Class II Services and posts is likely to attract candidates from all over India and will be on a truly all-India basis, while for the majority of Class III Services and posts which are filled otherwise than through the Union Public Service Commission only those residing in the area or locality in which the office is located are likely to apply. In the latter class of cases the percentages of reservations for Scheduled Castes and Scheduled Tribes was to be fixed by Government taking into account the population of the Scheduled Castes and Scheduled Tribes in that area.

The orders regarding reservation of vacancies in favour of the various communities would not apply to recruitment by promotion which would continue to be made irrespective of communal considerations and on the basis of seniority and/or merit as the case may be.

In all cases a minimum standard of qualifications would be prescribed and the reservations would be subject to the overall condition that candidates of the requisite communities possessing the prescribed qualifications and suitable in all respects for the appointment in question, were forthcoming in sufficient numbers for the vacancies reserved for them.

The maximum age limit prescribed for appointments to a service or post would be increased by three years in case of candidates belonging to the Scheduled Castes and Scheduled Tribes and the fees prescribed for admission to any examination or selection would be reduced to one fourth in their case. The age concession of three years was raised to five years in 1952,[8] for appointment to non-gazetted posts and in 1955 to appointments to gazetted posts in the Central Services.

Departmental Promotion Committees

Departmental Promotion Committees are required to be established in every Department to deal with all promotions that involve selection of the best person available. Such Committees exist in the Indian Audit and Accounts Department but Government has decided[9] that it shall not be necessary for the Comptroller and Auditor General to invite a member of the Union Public Service Commission to be associated with the Departmental

[8] Government of India, Ministry of Home Affairs Resolution No. 42/19/51-NGS, dated the 25th June, 1952 and 15/1/55-SCT, dated the 30th April, 1955.

[9] Government of India, Ministry of Home Affairs No. 17/1/53-Ests., dated the 8th July, 1953.

Promotion Committees appointed to deal with cases of promotion of officers under his control except where formal consultation with the Commission is obligatory under the Union Public Service Commission Consultation Regulations.

Citizenship and other Qualifications for Appointment

A candidate for appointment in an Audit and Accounts Office must be a citizen of India or a subject of Sikkim, or a subject of the State of Pondicherry or a person of Indian origin who has migrated from Pakistan with the intention of permanently settling in India. In respect of the last two categories a certificate of eligibility should have been given by the Government of India. The last category should obtain citizenship of India within one year. Subject to a certificate of eligibility in his favour, a subject of Nepal, or a Tibetan who came over to India before the 1st January, 1962 with the intention of permanently settling in India is also eligible to be appointed.

The candidate has to satisfy the educational qualifications prescribed, be medically found fit, and be within prescribed age limit. His character and antecedents should be such as do not render him unsuitable for appointment. Examinations and interviews are as prescribed.

Hours of Work

Ordinarily a 39 hours week of work is observed except in the second week of the month when Saturday is a holiday with consequently only $32\frac{1}{2}$ hours.

Remuneration

Scales of pay are regulated under the Central Civil Services (Revised Pay) Rules, 1960 with protection for old entrants and various rules and orders issued from time to time regarding special pay, compensatory allowance, dearness allowance, etc. The highest pay in the Department (below the Comptroller and Auditor General) is that attached to the post of Deputy Comptroller and Auditor General, Rs. 2,750 a month, old entrants being allowed Rs. 3,500. Additional Deputy Comptrollers and Auditor General get grade pay as Accountant General plus a special pay of Rs. 250 a month. The pattern of pay for all the posts was last settled as per the Report of the Second Central Pay Commission under the chairmanship of Shri Justice Jagannadha Das, Judge of the Supreme Court, submitted to the

Government towards the end of August 1959.

The Fundamental and Supplementary Rules regulate grant of increments, fixation of pay on promotion or transfer to Foreign Service or deputation outside India, on suspension, during joining time from one post to another and so on. The Supplementary Rules among other things deal with travelling allowances for journey for various purposes. Overtime allowance is given to non-gazetted staff under certain conditions.

Casual Leave

Casual leave as in other departments is allowed up to 12 days in any calendar year. Public Holidays and Sundays are excluded in reckoning the casual leave. Technically a person on casual leave is not treated as absent from duty and his pay is not intermitted. Special casual leave within certain limits to meet certain special situations but not for purely personal reasons is also admissible, *e.g.*, periods spent in Camp in Territorial Army, for participating as office bearers in activities and annual general meetings of recognised associations, for donating blood on a working day and for undergoing sterilisation operation, and participating in sporting events of national or international importance in a representative capacity or in coaching and administering participating teams.

Quarantine leave is also another special kind when an employee is not treated as absent from duty and his pay is not interrupted.

Regular Leave

There are different rules for pre-16th July, 1931 entrants and entrants after that date. The latter are eligible for earned leave, half pay leave, commuted leave, leave not due and extraordinary leave.

Earned leave for employees is earned at 1/11 of duty subject to a maximum accumulation of 180 days. For temporary employees it is restricted to 1/22 of duty in the first year of service. Normal availability at a time is, however, limited to 120 days. Officers in Class I and II spending their leave elsewhere than in India, Burma, Ceylon, Nepal and Pakistan can avail up to 180 days but the period spent in India cannot exceed 120 days.

Half pay leave is earned at 20 days for each completed year of service, for this purpose all periods of leave including extraordinary leave are taken into account.

Commuted leave is given on medical certificate only in cases where there

is a prospect of the employees returning to duty on its expiry. The employee should have double the number of days in his half pay leave account, which will be debited with twice the number of days of commuted leave. This leave is subject to a limit of 240 days during the entire service. The total duration of earned leave and commuted leave taken in conjunction should not exceed 240 days.

Leave not due is admissible to permanent and quasi-permanent employees only, requiring leave whether on medical or on private affairs, when no other kind of leave is due and admissible and there is a reasonable prospect of the employees returning to duty and earning it. It is limited during the entire service to 360 days out of which not more than 90 days at a time and 180 days in all can be on private affairs.

Extraordinary leave is granted in special circumstances, when no other leave is by rule admissible or when the employee applies for it. No leave salary is admissible during such leave. There is no specified limit for this leave for permanent or quasi-permanent employees except the general rule that the total continuous absence on leave should not exceed five years. For temporary employees, however, there is a normal limit for 3 months which is raised to 6, 18 and 24 months under specified conditions and for certain purposes.

Maternity leave on full pay for female employees, permanent or temporary, up to three months at a time or to the end of six weeks from the date of confinement, if this is earlier, is admissible. For miscarriage and abortion it is six weeks.

There are other miscellaneous kinds of leave, like special disability leave, study leave, of a less common kind in their application in this Department.

Superannuation

From the 1st December, 1962 the compulsory age of retirement is 58 years except for class IV employees for whom it continues to be 60. Ministerial employees recruited before the 1st April, 1938 who could under previous rules continue in service up to 60 years subject to their continuing to be efficient and physically fit are also protected.

Pension

Pension is admissible on retirement, superannuation or on completion of service qualifying for retirement, on being invalided from service or as

compensation on discharge on reduction of establishment. There are also wound and extraordinary pensions. The old Pension Rules are just tending to become obsolete in practice. Under the Liberalised Pensions Rules, 1950 qualifying service is reckoned in terms of completed six monthly periods. Below 10 years qualifying service only gratuity increasing with the qualifying service is admissible. For service of 10 years and above pension is admissible at rates ranging from 10/80ths to 30/80ths of average emoluments. In addition there is provision for Death-cum-Retirement Gratuity and Family Pension on certain conditions. The maximum pension admissible is Rs. 8,100 per annum at 30/80ths of average emoluments and the maximum Death-cum-Retirement Gratuity is Rs. 24,000 at half the number of years of qualifying service (up to 27 times) × 10/20ths of emoluments.

The new scheme of Family Pension intended to provide social security to Government employees provides for a family pension ranging from Rs. 25 to 150 a month to the family of an employee in case of death while in service (after completing one year) or after retirement, on surrendering a portion of gratuity where admissible, equal to his two months emoluments pay subject to a maximum of Rs. 3,600.

Miscellaneous Benefits

The Provident Fund applicable to employees in the department is non-contributory from the employees' side as there are pensionary benefits. The deposits in the Fund enjoy immunity from court attachment and the interest added yearly to the account is exempt from income-tax.

Cities are divided into 3 classes A, B, and C. There is a scheme of city compensatory allowance and house rent allowance at the costlier cities. The scheme of children's educational allowance is applicable to employees whose pay is below Rs. 350 a month. There is a Contributory Health Scheme at Delhi and medical benefits at other places is regulated under the Central Services Medical Attendance Rules.

Conduct and Discipline

The Central Civil Services (Conduct) Rules apply to the Department in common with other but all powers exercisable by the Government of India under those rules with the exception of the right of interpretation and delegation are exercisable by the Comptroller and Auditor General in relation to persons serving in the Indian Audit and Accounts Department subject to any general or special directions of Government

issued in this behalf.

Among other things, under these rules a member of the Indian Audit and Accounts Department is forbidden from taking part in any political activity or becoming a member of a political party. He may not contest an election. He is not prevented from exercising his vote but must not let anyone know how he proposes to vote or has voted. There are restrictions or conditions regarding demonstrations and strikes, connection with radio or press, criticism of government, evidence before committees or any other authority, communication of information to others, raising of or subscribing to Funds, acceptance of gifts, accepting public demonstrations in his honour, private trade or employment, investments, lending and borrowing, insolvency and habitual indebtedness, acquisition and sale of property, contracting bigamous marriage, drinking, etc.

A member of the Department in common with other government employees cannot be punished until carefully laid down disciplinary procedure is followed. Two types of penalties are imposed under the Central Civil Services (Classification, Control and Appeal) Rules, 1957. One group may be called penalties of the lower degree. They are minor in character and include censure, withholding of increment or promotion, or recovery of pecuniary loss caused to government by negligence or breach of orders. The second type of penalties are the more severe ones. They are demotion, compulsory retirement, and removal from service which is not a disqualification for future employment and dismissal which ordinarily disqualifies for future employment by government. A more elaborate procedure is prescribed before these major punishments can be inflicted because of the safeguards, prescribed in Art. 311 of the Constitution.

The disciplinary authority is required to frame definite charges and to communicate them in writing to the concerned person so that he can submit a written statement in his defence. The employee has also the right to be heard in person and to look into any record which he might require for the purpose. The disciplinary authority can appoint an enquiry board or officer to look into the facts of the case. The employee can present his case with the assistance of another employee approved by the disciplinary authority but ordinarily he is forbidden from engaging a legal practitioner. After the enquiring officer or board has made out a report, a statement of the evidence, charges and the report of the enquiring board, and the proposed punishment, are sent to the officer so that he might state whatever he wishes to say in defence against the action proposed to be taken against him. In the case of major penalties the more elaborate procedure of giving this opportunity at both the stages of framing charges and imposing the penalty has to

be followed. The disciplinary authority then passes appropriate orders in the case, after consultation with the Union Public Service Commission, where necessary.

Sometimes this elaborate procedure does not have to be followed in full. Orders may be passed against the government servant without giving him the chance to defend himself if he has been convicted by a court on a criminal charge or if the interest or the security of the state or any other valid reason makes it impracticable to follow the usual procedure.

The employee can appeal against an order passed by the disciplinary authority to the appellate authority. No appeal lies in the case of the service punishments made by the President. An appeal must be submitted within three months from the date on which the appellant receives the copy of the order appealed against. Apart from this, the President has the power of reviewing any orders in a disciplinary case on his own motion or otherwise. After consultation with the Union Public Service Commission where necessary, he can confirm, modify or set aside the order, impose any penalty or set aside, reduce, confirm or enhance the penalty imposed by the order or remit the case for further action or inquiry. Before, however, imposing or enhancing any penalty the employee is given an opportunity to defend himself.

Staff Associations

Besides the Staff Associations for Indian Audit and Accounts Service officers and Class II officers of the Indian Audit and Accounts Departments, there are 55 recognised Staff Associations covering the non-gazetted employees. The rules for recognition of associations for purposes other than the Joint Consultation Scheme, appear, however, to be under revision.

Recreation Clubs, Athletic and Welfare Activities of the Department

With a view to providing the much needed diversion from the official routine, the Comptroller and Auditor General has introduced a Scheme of holding competitions in different games amongst the employees of the Department on all-India basis, as a part of staff Welfare activities. For this purpose, a Central Sports Committee has been constituted. To begin with such competitions were limited to Football, but during the subsequent years, other games like Hockey, Table Tennis, Volley Ball, and Badminton have been included in the list of the annual activities.

St. John Ambulance Brigades have been formed in various offices. Departmental canteens, co-operative stores and Housing Societies are also functioning in various offices.

The Indian Audit and Accounts Benevolent Fund was established on the 1st September, 1961 in order to provide financial assistance to needy members and their dependents in distress. There is a Governing Body at Delhi with 31 Regional Committees constituted in each office or group of offices in a Region.

CHAPTER XII

THE SERVICES

(A) The Indian Audit and Accounts Service

Growth of the Service

Covenanted and Uncovenanted Services

The East India Company established regular grades in its service in 1675. First there were the apprentices, next above were the writers who were required to serve a "covenanted" period of five years, then the Factors, Merchants and Senior Merchants. The service was known as the Covenanted Civil Service as the Company's servants before leaving England had "to enter into a covenant wherein their privileges were recited and their obligations were defined". In the eighteenth century as the Company got more and more involved in territorial functions, the need for a regular civil service was being increasingly felt. To Warren Hastings (1774-85) and Lord Cornwallis (1786-93) belongs the work of creation and building up of a Civil Service, as we understand the term now. In 1786, the district as a unit of public administration became a permanent feature. It had been experimented by Warren Hastings earlier. The Charter Act of 1793 provided for increased salaries for civil servants with a view to abolishing illegal perquisites through presents and private trade. All vacancies occurring in any of the civil offices in India, below that of Member of Council, were to be filled up from among the civil servants of the company belonging to the Presidency in which they occurred and not otherwise. This provision was reaffirmed by the Charter Act of 1833. Promotion was to go by seniority and there were restrictions as to length of residence in India required for posts carrying a certain salary. The rule of promotion by seniority while preventing favouritism gave no encouragement to merit and was eventually abolished in 1861.

In 1793, there were three Presidencies, *viz.*, Bengal, Bombay and Madras. Each had its own civil service. The civil service, however, collectively and officially, was called the "Covenanted Civil Service". Lower Service employed in civil administration was known as the "Uncovenanted Civil Service".

Even after the Company's civil servants ceased to have merely commercial duties but got involved in the administration of an empire, the qualification for entry into the Company's Civil Service continued to be a rudimentary commercial training. In 1800, Lord Wellesly founded the College of Fort William, providing for a three-year course of a mixed and comprehensive character to all civilians after their arrival in India. The College continued only for a few years as the Court of Directors would not sanction it. In 1807, it became a college solely for study of oriental languages and was abolished in 1854. The Court of Directors, however, approved of a college being established in England for the education of young men intended for the civil service in India. It was first opened in 1806 in Herford Castle and later moved to Haileybury in Hertfordshire in 1809. In 1813 an Act of Parliament reserved appointments in the Company's Civil Service to youths educated at Haileybury. In 1826 this was relaxed by another Act which gave discretionary power to the Directors to appoint to writerships young men without their having to go to Haileybury but subject to their passing a qualifying examination. Such examinations took place from 1827 to 1832. The India Act of 1833 introduced the principle of competition by providing that for every vacancy at the college at least four candidates should be nominated and the best of them selected after an examination. In 1853, when the Charter of the Company was renewed for the last time, an Act of Parliament threw all appointments in the civil service open to competition. The right of the Directors to make nominations to the Haileybury College and for appointments in India ceased at the end of April 1854. The Haileybury College was closed in December 1857.

Reference has been made in Chapters II and III to the formation by Lord Canning's Government of a separate General Department of Account, under the Government of India, including the offices of Audit, Pay and Account in all the Presidencies, with effect from the[1] 1st May, 1858, *i.e.*, six months before the assumption of direct rule in India by the British Crown.

This Department comprised 18 covenanted appointments on pay ranging from Rs. 1000 to Rs. 3500 a month and 5 uncovenanted appointments on Rs. 700 and Rs. 800 a month. The object was to secure at all times a succession to the higher offices of Account (including Treasury account and Audit) of persons especially trained for the duties and thoroughly conversant with this branch of public business, who should be qualified to be drafted as occasion may require to the several Presidencies.

[1] Government of India, Financial Department Resolution Nos. 35126, dated the 4th December, 1857 and 1681, dated the 26th March, 1858 also Notification No. 13, dated the 26th March, 1858, Gazette p. 611.

The qualifications specially needed in the officers composing the General Department of Account and Finance were considered to be, besides ordinary acquirements of proficiency in book-keeping and the science of account, a knowledge of Political Economy in its application to India and a practical acquaintance with the habits of the people and the working of the Revenue system of the country. No officer would be permitted to enter the General Department of Account who was not of five years' standing. By this time a young officer was expected to have gained sufficient experience for the purposes of the Department, especially if he had employed his time with the intention of entering it. Junior civil servants would be allowed to register their applications for employment in the General Department of Accounts after 5 years' service as vacancies occurred, when the applicants would be subjected to an examination in book-keeping, the working of the Revenue system of the Presidency to which they belonged and the management of District Treasuries. The examination papers, together with the reports from the local Governments on the aptitude for business of the several candidates, would be forwarded for the consideration of the Government of India, on the understanding that the officer who happened to be best qualified for the duties of the Department would as a rule, be selected but that in the case of equality, regard would be had to the number of officers previously taken into the Department from the several Presidencies.

When once the Department had been entered, the promotion of the officer would be regular throughout. They would be transferred from Presidency to Presidency at intervals of not less than two years, the convenience of parties being consulted as much as possible, but changes would be so regulated that officers might acquire experience successively of all parts of the country before arriving at the higher grades. The transfer of an uncovenanted officer from one Presidency to another was to be regulated on the same principle as provided for covenanted officers.

Officers already in the Department were given an opportunity to express their willingness to continue in it. Their pay while holding the posts was protected though in certain cases pay for future incumbents was reduced as indicated below :

	Present Salaries	*Proposed Salaries*
	Rs.	Rs.
Accountant General, Bombay	3333	3000
Accountant to the Government of North Western Province	3000	2500

	Present Salaries	Proposed Salaries
	Rs.	Rs.
Accountant to the Government of Bengal ..	3000	2500
Sub-Treasurer, Bombay	2500	2000
Civil Auditor at Madras	2166	2000
1st Assistant Accountant General, Madras ..	1250	1200
1st Assistant Accountant General, Bombay ..	1250	1200

Some posts were upgraded to be held by covenanted officers and some others opened to uncovenanted officers. A minimum pay of Rs. 1000 was provided for covenanted officers entering the Department. Some posts were abolished. The rates of pay of all the posts have been given in Chapter III.

All questions connected with the appointment, pension and grant of leave to covenanted as well as uncovenanted officers appointed by Government direct were to be referred for the orders of the Government of India.

Classified Officers of the Finance Department

The Department of Account as organised above comprising both covenanted and uncovenanted officers was re-organised[2] in 1862 on the introduction of the new system of Audit and Account and of Budget Estimates, so that it might be in a position to perform duties similar to those performed by the Treasury in England. It has been earlier described that the Financial Department, including the Department of Account and Audit, was constituted into one Department at the head of which was the Financial Secretary. The Accountant and Auditor General was the head of the Department of Account and Audit. The officers of the Department corresponding to the "established Clerks of the Treasury and other English Public Offices" were given the general denomination of "Assistants (according to their respective classes) in the Financial Department", in addition to the special denomination of any office they might happen to fill.

The service was divided into four classes, *viz.*,

Class I, salary Rs. 1500—100—2000 a month, which included Deputy Auditors and Accountant General of the three Presidencies and the North West Provinces and First Assistant Secretary to the Government of India, Financial Department, *i.e.*, five officers.

[2] Government of India, Financial Department Resolution No. 84, dated the 13th May, 1862 and No. 69, dated the 29th August, 1862.

Class II, salary Rs. 1000—75—1500 a month, first increment to accrue after two years of service in the class, consisting of Civil Pay Masters of the three Presidencies, Deputy Auditors and Accountants General, Punjab and the smaller Governments, First Assistant to the Accountant and Auditor General of India and Second Assistant Secretary of the Financial Department, *i.e.*, eight officers.

Class III, salary Rs. 700—50—800 a month each year after three years' service in the class, consisting of Civil Pay Masters of other places, First Assistant to the Deputy Auditors and Accountants General, Second Assistant to the Accountant and Auditor General of India, Third Assistant Secretary, Financial Department, First Assistant to the Principal Assistant Secretaries, Financial Department, and any other officers on a par with these, *i.e.*, nineteen officers.

Class IV, salary Rs. 400—30—700 a month each year after three years' service, consisting of Junior Grades in the Central Office of Account at Calcutta and Chief Assistants in the Principal Local Offices.

In addition to these established classes there were the Apprentices or Probationers at salaries not exceeding Rs. 250 a month.

Government retained the power of selecting men of higher standing and experience and placing them at once in any of the higher classes.

Increments were automatic but promotions depended on efficiency. The covenanted officers already in service who retained their present offices and prospects of promotion without change, did not need to be classed, unless they desired it. There were at the time in the Department (exclusive of the Financial Secretary and the Accountant and Auditor General of India) with salaries of Rs. 700 a month and upwards, 17 covenanted officers on fixed salaries ranging from Rs. 1200 to Rs. 3000 a month and 11 uncovenanted officers on fixed salaries ranging from Rs. 700 to Rs. 1000. Under the reorganisation, the corresponding establishment was 5 in Class I, 8 in Class II and 19 in Class III. These officers were later referred to as "Classified officers of the Financial Department". The Government of India enunciated the principle that in any plan for the future organisation of the Financial Department all distinctions between covenanted and uncovenanted services must be set aside, except for a few of the highest offices, and that the salaries and constitution of the Department must be regulated with the sole view to efficiency without distinction of service, profession or religion. Thus after the 13th May, 1862, all covenanted officers appointed after that date and all uncovenanted officers got the same scale of pay. Covenanted officers who entered the Account Department before May 1862 continued to be eligible to the seven salaries, 2 of Rs. 3000, 3 of Rs. 2500, and 2 of Rs. 2000 each.

Changes in Nomenclature of the Covenanted Service

The Aitchison Commission 1886-87 recommended that the Covenanted Civil Service should be known as the "Imperial Civil Service" to distinguish it from the proposed "Provincial Civil Service". Lord Cross, the Secretary of State, however, ordered that it should be designated "the Civil Service of India" and each branch should be designated by the name of the province to which it belonged. In popular and official use the name Indian Civil Service had already got into vogue and has continued ever since. The nomenclature Bengal Civil Service, Madras Civil Service and Bombay Civil Service came to be actually used for the Provincial Executive Services consisting of Deputy Collectors and Deputy Magistrates.

The rights which the Covenanted Civil Service enjoyed under the Charter Act of 1793, to which reference has been made earlier, were confirmed by the Indian Civil Service Act, 1861, which reserved to its members the principal civil offices which were set forth in a schedule. The reservation of posts in the Department of Account and Audit is dealt within a heading by itself.

Enrolled List of the Financial Department: Though the nomenclature "Classified Officer of the Financial Department" was in use since 1862, the word "Assistant" contemplated in the orders of the 13th May, 1862 never seems to have become popular. The officers came to be gradually referred to as "Enrolled Officers of the Finance Department". A Resolution of the Government of India, Financial Department of the 12th April, 1876 referred to "Officers Enrolled in the Department under the Resolutions of 1862 and 1871". The expression "Enrolled List of the Financial Department" came into use more and more in subsequent Resolutions of Government. In 1880[3] the five Accountant Generalships for Bengal, Madras, Bombay, the North Western Provinces & Oudh and the Punjab were removed from the Enrolled List and the officers below the rank of Accountant General, classified into six classes, were designated "Enrolled Officers". On the 20th May, 1891 orders were issued regarding the method of recruitment and the organisation of the "Enrolled Lisc of the Account Department". The expression "Enrolled List of the Financial Department", however, continued in use for another two decades.

Indian Finance Department: Consequent on the amalgamation of the Public Works Accounts with the Civil Accounts Department with effect from the 1st April, 1910, the designation "Enrolled List" was discontinued.

[3] Government of India, Finance Department Resolution No. 3577, dated the 5th November, 1880.

The Department was designated "Indian Finance Department",[4] Accountants General being shown in a Special List and officers of Classes I, II and III of the former Enrolled List being shown in a "General List". The Military Accounts Department was designated "The Indian Finance (Military) Department''.

The Indian Audit and Accounts Service : Section 96B(2) of the Government of India Act, 1919 laid down that the Secretary of State may make rules among other things for regulating the classification of the Civil Services in India. First among the Central Civil Services Class I was the Indian Audit and Accounts Service.[5] But even before the Civil Services (Classification, Control and Appeal) Rules issued in 1930,[6] in the rules made by the Secretary of State under Section 96C(2) of the Act known as the "Public Service Commission (Functions) Rules, 1926'' this classification and position had been assigned to the Indian Audit and Accounts Service. This nomenclature for the service was also used in 1922 in amendments to the Auditor General's Rules made under Section 96D(1) of the Act, and has continued since, and is used in the Central Civil Services (Classification Control and Appeal), Rules, 1957.[7]

Salaries and Strength of the Enrolled List

1865-68 : The next revision in the salaries and strength of the officers of the Department took place in 1865.[8] On the introduction of the new system of Audit and Account and abolition of pre-audit except at Presidency towns, the offices of the Deputy Auditor and Accountant General, as stated in Chapter III, were amalgamated. Examiners of claims were specially allowed for Calcutta, Madras and Bombay. The minimum of the

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[4] Demi Official Letter from the Secretary, Judicial and Public Department, India Office, London to the Secretary, Government of India, Finance Department No. J & P 3092, dated the 26th September, 1910 and Government of India, Financial Department Notification No. 307, dated the 23rd September, 1913.

[5] India office letter F. 504, dated the 16th March, 1922 and Notification in the Gazette of India of the Government of India, Finance Department No. 1917 F & E, dated the 11th May, 1922, p. 571.

[6] The Civil Services (Classification, Control and Appeal) Rules, 1930 were published with Government of India, Home Department, Notification No. 3/30-Ests., dated the 19th June, 1930 in Gazette of India of the 21st June, 1930.

[7] Government of India, Ministry of Home Affairs Notification No. SRO 628, dated the 28th February, 1957.

[8] Government of India, Financial Department Resolution No. 1205 in the Gazette of India, dated the 8th July, 1865, p. 796.

scale of pay of the third class was raised to Rs. 800 from Rs. 700. A fourth Class was constituted on a scale of pay of Rs. 600—50—800 and a fifth Class on Rs. 400—50—600. The Strength was fixed as follows :

Class	*Scales of pay (Rs.)*	*Number*
I	1500—100—2000	5
II	1000—75—1500	7
III	800—50—1000	5
IV	600—50—800	11
V	400—50—600	24
	TOTAL	52

Considerable embarrassment had been experienced in the posting of officers to Presidencies and Provinces from the circumstances, that though they were on a General List for employment in any part of India, their position in the Classified List of the Department, was dependent in many cases on the locality in which they served. This inconsistency was sought to be removed by making salaries personal and not local. The posting of an officer to any province would not confer a title to any higher salary than that of the class from which the officer was taken, unless the appointment was accompanied by promotion to a higher class, or by a nomination to act in a higher class.

1869-1878 : A sixth class was created[9] in 1869 on a fixed salary of Rs. 200 a month and the strengths revised as below :

Class	*Number*
I	6
II	7
III	10
IV	10
V	17
VI	10
TOTAL	60

It was laid down that vacancies in the higher class would, as a general rule, be filled up by the promotion of qualified officers from the lower classes with the usual preferential regard to seniority; and the service would ordinarily be recruited by admission at the bottom of the sixth class only. The Government, however, reserved to itself the free discretion to promote

[9] Government of India, Financial Department Resolution No. 1705, dated the 9th July, 1869.

officers in the department upon public grounds, without reference to seniority, and if it was considered necessary, to admit recruits to the service otherwise than at the bottom of the list. The protection to covenanted officers appointed before May 1862 was continued.

In 1871,[10] the posts of Examiners of Claims were abolished and a schedule showing how the offices by various classes in the department should ordinarily be distributed was drawn up. Posts in fifth class were reduced to 13. In future appointments to the sixth class were to be by competition at an entrance examination among nominated candidates. This is dealt with in more detail in a separate heading "Recruitment and Training".

In 1873, the number of probationers was increased to 12 and the total strength in the six classes stood at 58.

1880-90 : A major re-organisation[11] of the Department was effected in 1880, after prolonged correspondence since 1876 with the Secretary of State regarding the apprehended breach in the statute of 1861 reserving the principal civil offices of the Administration to Covenanted Civil Servants.

(1) A new category of superior Ministerial officers to be entitled "Chief Clerks" was introduced which was to be gazetted. They could sign letters or discharge any other duties assigned to them by the Heȧd of the office. They went to reduce the number of the Enrolled List with some promotion in efficiency and saving of expense. This category is dealt with further in Section B of this Chapter.

(2) The five Accountant Generalships for Bengal, Madras, Bombay, the North Western Provinces & Oudh, and the Punjab, were removed from the Enrolled List and were henceforth treated as reserved by statute to be filled, ordinarily, by members of the Covenanted Civil Service. Their pay was fixed as follows :

2 at Rs. 2750	a month each—ordinarily intended to be the Accountant General for Bengal and Bombay plus a local allowance of Rs. 250 a month.
2 at Rs. 2500	a month.
1 at Rs. 2250	a month.

(3) Below the Accountant General's rank there were to be six classes of officers numbering 30 in all; to be designated "Enrolled Officers"

[10] Government of India, Financial Department Resolution Nos. 1438, dated the 29th June, 1871 and 3116, dated the 18th December, 1871 Notification No. 2077, dated the 29th March, 1873.

[11] Government of India, Financial Department Resolution No. 3577, dated the 4th November, 1880.

as follows :

Class	*Monthly Pay* *Rs.*	*Number*
I	1750—50—2000	2
II	1250—50—1500	5
III	1000—50—1250	7
IV	800—40—1000	8
V	600—40—800	4
VI	400—40—600	4
		30

These 30 posts consisted of :

Deputy Comptrollers General	2
Assistant Secretary in the Finance Department	1
Comptrollers	5
Deputy Accountants General	5
Assistant Comptrollers General, Assistant Accountants General and Assistant Comptrollers.	17
	30

(4) The title "Deputy Accountant General in Independant Charge" was eliminated and substituted by the simpler designation of "Comptroller".

(5) There would be eight probationers in all with pay as till then, *viz.*

On first appointment	Rs. 200 a month
On passing the lower departmental examination	Rs. 250 a month
On passing the higher departmental examination	Rs. 300 a month

(6) One post in each of the Classes II, III and IV was reserved for Covenanted Civil Servants.

(7) There was no pledge, in all circumstances, to fill a vacancy in the office of the Comptroller General by the promotion of an Accountant General, or a vacancy in the office of Accountant General by a promotion from the Enrolled List, or a vacancy caused by the transfer or promotion to a higher class, of a Covenanted Enrolled Officer by the promotion of Covenanted Enrolled Officer from a lower class.

The orders regarding the re-organisation were not to be regarded as in any sense, a legal or moral contract binding Government from varying them without the consent of the officers of the Department.

The new re-organisation took effect from the 8th August, 1880.

In a later despatch[12] in 1881 the Secretary of State stated that he could not, even by implication, assent to the view that the office of the Comptroller General could be rightly filled by any one who had not had an adequate training as an Accountant General but felt confident that in filling so important a post the Government of India would take the utmost pains to select the person most competent to discharge the duties.

In 1883, in consequence of the establishment of Appropriation Audit, the appointment of the two additional Deputy Comptrollers General and a corresponding increase in the number of officers in the 1st class was sanctioned.

1891-1905 : The Public Service Commission, 1886-1887 known popularly as the Aitchison Commission after the name of its Chairman made the following recommendations in respect of the Accounts Department in clauses 50-52 of paragraph 128 of its Report :

> "50. That the office of the Comptroller and Auditor General should be included in the schedule attached to the statute 34 and 35 Vic., Cap. 54 and that the office of Accountant General, Civil Auditor and Sub-Treasurer should be removed from the schedule.
>
> "51. That indigenous agency should be more largely introduced into the Enrolled List, and that the sources of recruitment for that List should be extended, appointments being made:
>
> (*a*) of outsiders by open competitive examination;
> (*b*) to a limited extent as at present, from the Covenanted Civil Service;
> (*c*) by the promotion of Chief Superintendents who have proved that they possess capacity for the Superior Branch;
> (*d*) by the exceptional appointment of officers who have shown marked ability in the charge of Treasuries or in other Departments of the Provincial Service.
>
> "52. That the Government of India should continue to reserve to itself a discretion of appointing to the Enrolled List any person whom it may deem it conducive to the interests of the public service so to appoint."

A Finance Committee reported to Government on their recommendations. The action taken thereon is detailed under the separate headings "Reservations for the Indian Civil Service" and "Recruitment and Training". After providing for the necessary reservations for the Indian Civil Services, the charges to fill which officers of the Enrolled List actually present on duty

[12] Secretary of States Despatch No. 185, dated the 23rd June, 1881.

were required were determined[13] as 36. In order to provide for these the total strength required was fixed at 45. It was decided that the pay attached to the appointments in the Enrolled List would no longer be progressive. The appointments were distributed as follows :

Class	*Number of Officers*	*Pay per month Rs.*
I	5, of whom 1 will be an Indian Civil Servant	1500
II	5, of whom 2 will be Indian Civil Servants	1250
III	6, of whom 1 will be Indian Civil Servant	1000
IV	8, of whom 1 will be Indian Civil Servant	800
V	8, of whom 1 will be Indian Civil Servant	600
VI	8, of whom 1 will be Indian Civil Servant	400
Probationers	5, on first appointment	200
	on passing the Lower Departmental Examination	250
	on passing the Higher Departmental Examination	300

Note : Rs. 300 per month was later fixed for those recruited in England. Out of 45, 5 were to be Indian Civil Servants. The reduction in the number of probationers to five as above and corresponding increase in Class VI were to be effected gradually. Two personal allowances of Rs. 300 a month each were sanctioned to be granted at the discretion of Government, to two officers of Class I of the Enrolled List not being Indian Civil Servants. These allowances were intended to be rewards to the most deserving of the senior officers of the Department and were not to be given as a matter of course.

The new scales were not applicable to any officers who were in the Department on the 1st January, 1891; these officers would continue till the end of their service to draw salaries on the scale till then in force. Indian Civil Servants appointed substantively to the Enrolled List after the 1st January, 1891 came on the new scale.

The Government of India once again reiterated that they reserved full power, subject to the approval of the Secretary of State, to appoint to the Enrolled List, in any position as regards seniority any person whom they might deem it to be in the interest of the public service so to appoint. The normal method of recruitment is dealt with later under a separate heading.

[13] Government of India, Finance and Commerce Department Resolution No. 2157, dated the 20th May, 1891.

Later in a Despatch of the 4th February, 1892[14] the Secretary of State stated that if the plan of strengthening the Enrolled List by the occasional introduction of persons who had already proved their capacity gave rise to cases in which, for the higher interests of the public service, it became necessary to supersede those who might reasonably have expected promotion, they could be granted compensation in the form of a personal allowance until in turn they obtained their promotion. While it was important to maintain the right of Government to adopt the best measures for the public service, it was also desirable, he said, to avoid any apparent infringement of the officer's right without adequate compensation.

In 1897, the strength of the Enrolled List was refixed at 49. The Comptrollership of Burma was converted into an Accountant Generalship, to be filled from the Enrolled List. Thus two out of six Accountants Generalship became available to officers of the Enrolled List. Of the 3 classes of Accountant Generalships, both the appointments in Class I and II could not, however, be simultaneously held by officers who did not belong to the Indian Civil Service.

In 1901,[15] the strength was raised and fixed at 52 by the addition of one to each of the II, III and V classes with effect from the 1st April, 1902. It was further raised to 54 in 1905 with effect from the 9th April, 1905.[16] In 1906 including 6 appointments which were to be added to the cadre as vacancies occurred in the Postal Accounts Department and 1 appointment of Assistant Secretary in the Finance Department, the number was 61 as follows :

Class	*No. of Posts*		
	1902	*1905*	*1906*
I	5	6	6
II	5	6	7
III	8	7	8
IV	10	10	12
V	10	10	12
VI	9	10	11

[14] Secretary of States Despatch to the Government of India No. 17 (Financial), dated the 4th February, 1892.

[15] Secretary of States Despatch No. 140 (Financial), dated the 9th August, 1901.

Secretary of States Despatch No. 171 Financial, dated the 14th October, 1897 and Government of India, Finance and Commerce Order No. 5427 (General), dated the 16th December, 1897.

[16] Secretary of States Despatch No. 31 (Financial), dated the 24th March, 1905.

Class	*Numbers of Posts*		
	1902	*1905*	*1906*
VII	5	5	5
TOTAL	52	54	61

1906-1909 : In a small and composite service, such as the Enrolled List, it was not possible to adopt, as in the case of large and homogeneous services, a fixed scale of recruitment based upon the normal annual decrease or casualty rate. Recruitment had, therefore, to be effected on the haphazard system of employing men as they were found to be wanted. The irregular recruitment resulted in inequalities of promotion, periods of undue acceleration being followed by periods of stagnation. The Government of India was afraid that in the not very distant future, promotion in the Department would be seriously congested unless steps were taken to avert the probable block which they foresaw.

After giving the matter the most careful consideration the Government of India came to the conclusion that the only satisfactory solution of the difficulty was to be found in the abolition of the graded system of salaries in which promotion depended upon the occurrence of vacancies and the substitution for it of a scale of pay which provided the bulk of the officers of the Department with an equitable flow of promotion calculated on length of service. With the approval of the Secretary of State the following measures were adopted:[17]

(1) The Enrolled List consisting of 61 officers in seven classes on graded pay was divided into four classes only on time-scale of pay, as follows :

Class I—6 officers on Rs. 1500—60—1800 (including one member of the Indian Civil Service).

Class II—4 officers on Rs. 1000—100—1200 (all Civilians) 1250 in fourth year—50/2—1500.

Class III—46 officers on Rs. 350—50—1250—50/2—1500.

Class IV—5 (probationers) if appointed in England, Rs. 300 on appointment, Rs. 350 on passing the lower departmental examination, Rs. 400 on passing the higher departmental examination.

(2) The two personal allowances of Rs. 300 a month sanctioned for officers in Class I were abolished and acting allowance discontinued except in the case of officers acting in Class I or as Accountants General.

(3) Promotion to Class I was to be by strict selection from Class II in

[17] Secretary of States Despatch No. 51 (Financial), dated the 11th May, 1906.

the case of members of the Indian Civil Service, and from Class III in the case of non-civilians.

(4) New entrants to the Department, whether civilian or non-civilian, would not get exchange compensation allowance either as officers in the Enrolled List or as Accountants General.

(5) Additional pension of Rs. 1000 a year would in future be earned by three years' approved service in Class I or Accountants Generalship, instead of by such service in the appointments specified under the head "Account Department" in Art. 475 of the Civil Service Regulations.

(6) All officers in the Department could opt for the new scale within a fixed period.

The new scales came into force from the 27th May, 1906.

Though a graded system of pay for the Enrolled List was in vogue from 1891 to 1906 only and compartmental time-scales came into force again from the 27th May, 1906, it would be of interest to indicate here the policy that the Government of India announced later in 1917[18] regarding the abandonment as far as possible, of the graded system of remuneration and the adoption instead of the incremental scales of remuneration under the compartmental system. The Public Services Commission in paragrpah 51 of their Report had observed as follows :

> "The graded system of remuneration should be abandoned and incremental scales generally introduced. Such scales should be framed on the compartmental system, and no increment should be given as a matter of right, the Government retaining full power to stop increments in cases of inefficiency."

In accepting as a general proposition the recommendation of the Commission in regard to time-scales, the Government of India, Finance Department, observed as follows :

> "a time-scale is *prima facie* suitable not merely for small Departments but also for big ones. It is a far better method of increasing gradually an officer's remuneration, as he gains additional experience and value while performing the same class of work, than a system of grades in which promotion, permanent or officiating, is dependent on the accident of deaths, retirements and leave vacancies. If, for instance, there had been a time-scale system for the Indian Civil Service there should not have been so much trouble by reason of blocks of promotion, while junior officers would not have been over-remunerated when promotion was abnormally brisk. From the accounts point too, a time-scale system is much simpler than one of promotion by grades.

[18] Government of India, Finance Department No. 626-FE, dated the 8th June, 1917.

Any application of the time-scale system should, however, be subject to the following general principles :

(1) A single time-scale compartment must be restricted to officers doing the same class of work.

(2) There must be no relaxation of the rules which require particular appointments to be filled up by selection rather than by seniority, or which prevent an officer from proceeding to higher class if he is manifestly not fit for it.

(3) There must be full power to stop increments for inefficiency or misconduct.

The specific application of these general propositions must be carried out for each separate service or department with reference to its own particular circumstances and the mere change of the system of remuneration ought not to entail additional expenditure unless such expenditure can be justified by the proved necessity of ameliorating the prospects of the service in question."

In 1907,[19] an addition of 2 appointments was made to Class III (new scale) so as to complete the leave and training reserve at 30 per cent of the number of charges in the Department as authorised by the Secretary of State in 1901. Another addition was made[20] in 1908 for Assistant Comptroller, Post Office, to enable the Comptroller to visit subordinate offices more frequently and attend to the reform of the system of postal audit and account.

1910-1919 : In view of the amalgamation first of the Postal and Telegraph Accounts and next of the Public Works and Civil Accounts the number of appointments in the General List of the Indian Finance Department, as the Enrolled List was redesignated in 1910, was fixed[21] as follows :

Class I	—	11 officers
Class III	—	121 officers
Probationers	—	14

The absorption of the remaining representatives of the Postal Accounts Department into the Indian Finance Department was completed in 1912. With the transfer of the capital to Delhi an Audit Office was formed in Delhi in 1913 to audit the expenditure in connection with the new capital. The post of Examiner of Press Accounts earlier abolished in 1905 was re-created in 1912. The post of Examiner of Customs Accounts (first called Auditor of Custom House Accounts in India) was also created in that year.

[19] Secretary of States Despatch No. 142 (Financial), dated the 11th October, 1907.

[20] Government of India Despatch No. 275, dated the 10th September, 1908.

[21] India Office No. J & L 3092, dated the 26th September, 1910.

The reconstitution of the Accounts offices in the Provinces of Bengal, Bihar, Orissa and Assam, in consequence of territorial changes, involved an addition of three officers to the General List. As a result of all these and other changes, the sanctioned strength in September[22] 1914 was :

Accountants General Class I	2
Accountants General Class II	3
Accountants General Class III	4
General List Class I	7
Public Works List Class I	4
Class III including probationers	106
Reserve	37

Of the 9 Accountant Generalships, three (one of each class) were reserved for the Indian Civil Service.

In 1916,[23] the appointments in Class II, all of which were for civilians, were abolished with the approval of the Secretary of State in Council. As a consequence one Indian Civil Service appointment was added to Class I of the General List and two additional appointments to be held by non-civilian members of the Department added to Class III. This arrangement was provisional pending consideration of the recommendations of the Royal Commission on the Public Services.

From the 21st August, 1919 four posts were upgraded to the rank of Accountant General, *viz.*, Chief Auditor of the North Western and East Bengal Railways and Comptrollers of the Central Provinces and India Treasuries. The last mentioned came to be known as Accountant General, Central Revenues. Thus the toal number of posts in the rank of Accountant General rose from 9 to 13.

1920-23 : The Report of the Royal Commission on the Public Services in India, known as the Islington Commission from the name of its Chairman Lord Islington, which was appointed in 1912, was forwarded by the Secretary of State for India in October 1916[24] for the consideration of the Government of India. The proposals of the Government of India were laid before the Secretary of State (Mr. Montagu) in a despatch dated the 6th February 1919; their reconsideration was directed in his reply dated the 31st July, 1919 and the revised proposals submitted on the 27th February, 1920 were sanctioned with some modifications by the Secretary of State in a despatch dated the 3rd June, 1920.

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[22] Secretary of States Despatch No. 36 Financial, dated the 11th September, 1914.

[23] Secretary of States Despatch No. 11 Financial, dated the 3rd March, 1916.

[24] India Office Public No. 153, dated the 6th October, 1916.

The recruitment[25] of probationers was to be made in future ordinarily in India only but it would be supplemented by the enlistment of members of the Indian Civil Service, and to such extent as might be found necessary from time to time but without any fixed proportion to the total recruitment of the Department, of office·s recruited in Europe on special terms. Recruitment in England would include not only men of technical attainments required for special purposes but also men who, besides possessing special qualifications, might be looked upon as available for the ordinary work of the Department.

An officer recruited in England under the conditions mentioned above would be placed on the general time-scale set forth below at a point suitable to his age and receive an addition to his pay which would be personal to himself and not fixed by general rule.

Officers recruited in India would be on a time-scale beginning at Rs. 350 and rising by annual increments of Rs. 50 to Rs. 1400 in the 22nd year of service. Increments as heretofore, would be given only for approved service. An officer recruited in India to the Department would be on probation for two years, during which he would be under training, and would not be eligible for the first increment until he had passed the first Departmental Examination, nor for the second increment until he had passed the second. Officers so recruited to the Indian Finance Department would be eligible for selection to (1) appointments in Class I carrying a progressive pay of Rs. 1500—60—1800 ; (2) appointments as Accountant General, seven of which would be on a time-scale of Rs. 2250—100—2750; and (3) to three special appointments as Accountant General which would carry a pay of Rs. 3,000.

All existing incumbents, including members of the Indian Civil Service then in the Department, would retain their present time-scale of pay and be granted an addition to pay at the rate of one third of their substantive pay on the existing scale up to and including the 7th year of service; at the rate of one fourth of their substantive pay with a minimum of Rs. 200 from the 8th year up to and including the 15th year of service; and at the rate of one fifth of their substantive pay with a minimum of Rs. 250 and a maximum of Rs. 300 from the 16th year of service to the end of the time-scale and through the selection grade of Rs. 1500 rising by annual increments of Rs. 60 to Rs. 1800. The following table shows the additions to pay according to length of service.

[25] Government of India, Finance Department Resolution No. 1270 F.E., dated the 4th August, 1920.

Year of Service	*Pay*	*Additions to Pay*
1st	300	100
2nd	350	116⅔
3rd	400	133⅓
4th	450	150
5th	500	166⅔
6th	550	183⅓
7th	600	200
8th	650	200
9th	700	200
10th	750	200
11th	800	200
12th	850	212½
13th	900	225
14th	950	237½
15th	1,000	250
16th	1,050	250
17th	1,100	250
18th	1,150	250
19th	1,200	250
20th & 21st	1,250	250
22nd & 23rd	1,300	260
24th & 25th	1,350	270
26th & 27th	1,400	280
28th & 29th	1,450	290
30th	1,500	300
	1,560	300
	1,620	300
Selection Grade	1,680	300
	1,740	300
	1,800	300

Note: Subordinates promoted to the General List and officers of the General List who were drawing more than the length of their service warranted in the ordinary time-scale and members of the Indian Civil Service in the General List would draw an addition to pay at the rate corresponding to the pay drawn by them as shown in the above table, and not with reference to the length of their service in the Finance Department.

It was thought that there was not sufficient ground for the adoption in this department of the dual scales, senior and junior, that had been introduced in other Departments/services such as the Indian Civil Service, Police and

the Public Works Department and a single continuous scale should be sufficient to meet the requirements supplemented, as in the past, by special allowances where necessary in the case of appointments involving duties and responsibilities of more than ordinary importance.

The actual observations of the Secretary of State in this respect are quoted below as the same point was dealt with later by the Central Pay Commissions in 1947 and 1959. He said:

"There is not, I think, sufficient ground for the adoption in this Department of the dual scales, senior and junior, which have been introduced in other Departments such as the Indian Civil Service, the Police, and the Public Works Department. In these latter there is a radical difference between the importance of the work and responsibility imposed upon officers holding the higher district posts and that of their juniors and assistants. No equally clear line of distinction can be drawn between the different classes of the Finance Department. I think, therefore, a single continuous scale should be sufficient to meet your requirements, supplemented, as at present, by special allowances where necessary in the case of appointments involving duties and responsibilities of more than ordinary importance."

The pay of probationers appointed in India was fixed at Rs. 350 a month, to be raised to Rs. 400 on completing one year's service and having passed the Lower Departmental Examination and to Rs. 450 on completing two years' service and having passed the Higher Departmental Examination, subsequent increases being regulated according to the general time-scale.

The scales of pay suggested by the Islington Commission were in some cases different from those actually sanctioned in 1920 as will be seen from the following :

Post	*Scales suggested by Inslington Commission*	*Scales sanctioned*
	Rs.	Rs.
Auditor General	4500	5000
Accountants General		
Class I	3000	3000
Class II	2500	2250—100—2750
Class III	2250	—
General List		
Class I	1500—60—1800	1500—60—1800
Class II	200 Probation 300—50/ 2—500 —50—150.	350—50—1400

The Commission's comments on Indianisation will be found in the section "Recruitment and Training".

Lee Commission : After the Reforms of 1919 a number of British officers in the service sought premature retirement. Indians were also not satisfied with the pace of Indianisation. These led to the appointment in June 1923, of a Royal Commission on the Superior Civil Services under the chairmanship of Viscount Lee of Fareham. The Commission[26] recommended the grant of sterling overseas pay and passage concessions to stop the European element from leaving the services and to attract young men from the British universities in future. The rates of pension of the Superior Services (both European and non-European) were improved. The Government of India Act, 1919 provided for the establishment of a Public Service Commission. This had not been done by the time the Commission reported and they recommended that the Public Service Commission should be appointed without any further delay. This they regarded as one of the cardinal features of their Report and as forming an integral and essential part of the whole structure of their proposals for the future of the services.

The Public Service Commission (Functions) Rules, 1926 were made by the Secretary of State in Council under Section 96C(2) of the Government of India Act, 1919 on the 22nd September, 1926 and notified in the Gazette of India in October.[27] The sterling overseas pay, passage, pension and other concessions decided upon after consideration of the recommendations of the Commission were issued in the Superior Civil Services (Revision of Pay, Passage and Pension) Rules made by the Secretary of State for India under Section 96B(2) and (3) of the Government of India Act, 1919 and came into force from the 1st April, 1924. The pay of the officers on the General List was revised as in the Table on next page.

Accountants General who would have been entitled while on the time-scale or selection grade to draw sterling overseas pay were allowed sterling overseas pay at £ 13.6s. 8 d. a month.

In October,[28] 1924 the total strength of the service was fixed as follows :

No. of sanctioned posts	121
Deputation reserve	14
Leave and training reserve	40
	175

[26] Report of the Royal Commission on the Superior Civil Services (Lee Commission), 1924 paras 24 and 31, Government of India.

[27] Notification No. F. 178-14-24, dated the 14th October, 1926, Gazette of India, Pt. I, 1926, p. 1091.

[28] Secretary of States Telegram, dated the 9th October, 1924 and Government of India, Finance Department No. F-28 F.E., dated the 13th October, 1924.

INDIAN AUDIT AND ACCOUNTS SERVICE
(Monthly rates of Pay)

Year of Service	*For Officers appointed before 23rd June, 1920.*			*For officers appointed not before 23rd June, 1920.*
	Basic pay	*Addition to pay*	*Sterling overseas pay in lieu of addition to pay*	
1	2	3	4	5
	Rs.	Rs.	£	Rs.
1st	300	100	..	350
2nd	350	116⅔	..	400
3rd	400	133⅓	..	450
4th	450	150	..	500
5th	500	166⅔	15	550
6th	550	133⅓	15	600
7th	600	200	25	650
8th	650	200	25	700
9th	700	200	25	750
10th	750	200	25	800
11th	800	200	25	850
12th	850	212½	30	900
13th	900	225	30	950
14th	950	337½	30	1,000
15th	1,000	250	30	1,050
16th	1,050	250	30	1,100
17th	1,100	250	30	1,150
18th	1,150	250	30	1,200
19th	1,200	250	30	1,250
20th	1,250	250	30	1,300
21st	1,250	250	30	1,350
22nd	1,300	260	30	1,400
23rd	1,300	260	30	
24th	1,350	270	30	Selection
25th	1,350	270	30	grade

1	2	3	4	5
	Rs.	Rs.	£	Rs.
26th	1,400	280	30	1500—60—
27th	1,400	280	30	1800
28th	1,450	290	30	
29th	1,450	290	30	
30th	1,500	300	30	
	1,500	300	30	
	1,620	300	30	
Selection Grade	1,680	300	30	
	1,740	300	30	
	1,800	300	30	

Note 1: An officer who prior to appointment to the Indian Audit and Accounts Service had held substantively a post in Government service should draw as initial pay the pay of the stage in the foregoing time-scale next above his previous substantive pay, and should be eligible to draw annual increments thereafter, provided always that, unless he be a subordinate promoted to the Service, he should not draw the first and second increments until he should have passed the first and second departmental examinations respectively.

Note 2: In the case of promoted subordinates this provision has effect from the 16th February, 1926 only.

Controller of Civil Accounts/Deputy Auditor General in India : From 1924 the experiments in the separation of accounts and audit continued till 1931. This is dealt with in Chapters III and XVIII. The officer who was superintending these experiments and drawing a pay of Rs. 3500 a month was appointed Controller of Civil Accounts from the 1st July, 1926, on the same pay. As it was the highest post in the cadre of the service, a little of its history will be of interest.

In 1919, the Auditor General envisaged the need in view of the Montford Reforms of a Controller of Civil Accounts and the Government of India informed the Secretary of State that a further reference would, if necessary, be made to him in due course on the subject. In October, 1921, the Government of India sanctioned under its own powers the creation of the post on a pay of Rs. 3000 for a period of two years. The appointment, however, was in existence for only about seven months when it was allowed to lapse. In 1926, it was proposed to create the post of Controller of Civil Accounts, as a permanent addition to the cadre of the Indian Audit and Accounts Service, to help the Auditor General, in a rapidly expanding Department. It was considered unscientific to have so many officers serving directly under the Head of the Department and to have a

junior officer as his Deputy at headquarters. There were 9 Civil Accountants General, 2 Deputy Auditors General (Inspection), the Comptroller of Assam, the Accountant General, Railways, the Director of Army Audit, the Director of Commercial Audit, the Examiner of Customs Accounts, the Examiner of Press Accounts, the Audit Officer, Indian Stores Department, the Audit and Accounts Officer, Bombay Development, and the Audit Officer Lloyd Barrage, who all had the right to address the Auditor General direct. The Auditor General had to tour on inspections about three months in the year. He had also heavy responsibilities regarding the Finance and Revenue Accounts, and the Technical Report, the Audit and Appropriation Reports and maintenance of Departmental codes, and scrutiny of financial rules. The need for assistance to the Auditor General and that it should be by an officer superior in status to an Accountant General, whose tenure of the post could not, therefore, be interrupted owing to further promotions, were accepted and the post was sanctioned from the Ist July, 1926 by the Secretary of State[29] (Lord Birkenhead).

In 1931, the question of reducing the post of Controller of Civil Accounts to the status of an Accountant Generalship as recommended by the Retrenchment Sub-Committee was given careful consideration. The Auditor General held that his proposals relating to retrenchment were interdependent and complementary to each other. In view of the fact that he had laready had four posts of Deputy Auditors General dispensed with, two by total abolition and two by conversion to appointments of lower status, if the post of Controller of Civil Accounts were also to be down graded, the Headquarters administration would lose both in quality and strength and this at a time when under retrenchment the machinery of audit and accounts was weakened throughout the executive offices also and the need for the best supervision was specially great. The duties of the Deputy Auditor General, as the post would be redesignated, would be heavier and more extended in range than the duties attaching to the Controller of Civil Accounts. There was also the new and important work connected with the impending revision of the Constitution. Economies not contemplated by the Retrenchment Sub-Committee had also been effected which were more than the amount the Committee hoped to secure by the down grading of the post of Controller of Civil Accounts. The Government of India agreed[30] to the continuance of the post for three years and to the change in designation to that of "Deputy Auditor General of India" from the 9th May, 1932.

[29] India Office letter No. 19 Finance, dated the 15th April, 1926.

[30] Government of India, Finance Department No. D/8954-Ex. I, dated the 5th January, 1932.

The administrative and financial powers of the Controller of Civil Accounts were revoked from the same date.

In 1934, the Auditor General reiterated his earlier stand and expressed his view that sound principles of organisation and administration required the appointment to be left indefinitely on its present footing. The Government of India thereupon approved[31] of the retention of the post indefinitely without any reduction in status.

The Second Pay Commission (1957-59) recommended to "new entrants" to this post a pay of Rs. 2750 a month and the Central Civil Services (Revised Pay) Rules, 1960 have provided accordingly.

The post of Deputy Auditor General is the only post in the Indian Audit Department to which posting is made by the Government of India.

He has been ranked in the warrant of Precedence along with Joint Secretaries to the Government of India (Item 34) though his pay is equal to that of an Additional Secretary who is in the next higher rank (Item 33).

With the addition of the post of Controller of Civil Accounts to the Indian Audit and Accounts Service from the 1st July, 1926 the sanctioned strength of the cadre was fixed at:

(A)	No. of sanctioned posts	126
(B)	Deputation reserve at $12\frac{1}{2}\%$ of A	15
	Leave and training reserve at 30% of A plus B ..	42
	TOTAL	183

In 1928,[32] the deputation reserve was fixed at $7\frac{1}{2}$ per cent of the sanctioned charges, leave reserve at 20 per cent of the above two together and training reserve at a fixed number of 12.

Separation of Accounts from Audit : The next important event affecting the service was the separation of Railway Accounts from Audit. This has been dealt with at length in Chapter III.

The sanctioned strength was refixed[33] consequently from the 1st April, 1930 as below. The deputation, leave and training reserves were calculated at the revised percentages of the sanctioned charges/numbers adopted in 1928.

[31] Government of India, Finance Department No. F. 17(9)-Es. I/34, dated the 17th September, 1934.

[32] Government of India, Finance Department No. F. 7-XII/R II/27, dated the 22nd September, 1928.

[33] Government of India, Finance Department No. D. 3780, dated the 12th June, 1929.

Sanctioned charges ..	124	including 19 in the rank of Accountants General
Deputation reserve at $7\frac{1}{2}\%$ ..	9	
Leave reserve at 20%	27	
Training reserve ..	12	
TOTAL	172	

The experiments on the civil side which had been started in 1924 were wound up in 1931 (see Chapter XVIII). In place of separated offices in the NWF Provinces, the office of the Comptroller, NWFP was created in 1931.

Economy Measures in Financial Emergency: The decentralisation of Commercial, Press and Customs Audit, and down grading and the abolition of several posts as a measure of economy brought the sanctioned strength further down, so that in 1933, with a reduction in the percentage of leave reserve, it stood[34] as follows :

Sanctioned charge ..	103	(including 15 in the rank of Accountant General)
Deputation reserve at $7\frac{1}{2}\%$ ..	8	
Leave reserve at 10%	11	
Training reserve	12	
TOTAL	134	

Revised Rates of Pay Rules, 1933: The Financial Emergency led to several measures which included, besides reduction or down grading of posts, a 10 per cent emergency cut in pay and the promulgation of rules fixing reduced rates of pay for Post-1931 entrants not under the rule making power of the Secretary of State. The scales of pay of the Indian Audit and Accounts Service applicable to such persons were drastically reduced as below :

Accountant General

Grade I	10 posts	Rs. 2000
Grade II	5 posts	Rs. 1600
Grade III	9 posts	Rs. 1300

Time scale Rs. 300—25—600—35—950

Probationers Rs. 250 for first year, 275 for second year, provided the first departmental test had been passed.

The Reforms of 1935: With the constitution of Sind and Orissa as

[34] India Office No. F 2400/33, dated the 24th May, 1933.

separate Governor's Provinces from the Ist April, 1936 two posts of Comptrollers were created. With the separation of Burma from the 1st April, 1937, the post of Accountant General, Burma and other posts in the Indian Audit and Accounts Service in Burma ceased to be on the sanctioned charges of the cadre of that service but a deputation reserve was added for duty posts in Burma, to be reduced over a period of time.

The three grades of Accountants General included Comptrollerships and other posts in General List Class I. After the changes consequent on the Reforms of 1935 and other causes the strength in the three grades was changed[35] to 9, 6 and 7 respectively and the posts were graded as below:

Grade I *Rs. 2000*	*Grade II* *Rs. 1600*	*Grade III* *Rs. 1300*
Accountants General	1. Accountant General, Bihar.	1. Chief Auditor, East Bengal, Railway.
1. Central Revenues 2. Madras	2. Accountant General, Central Provinces and Berar.	2. Chief Auditor, Indian Stores Department.
3. Bombay	3. Chief Auditor, E.I. Railway.	3. Comptroller, Assam.
4. Bengal	4. Chief Auditor, N.W. Railway.	4. Comptroller North West Frontier Province.
5. United Provinces	5. Chief Auditor, G.I.P. Railway.	5. Comptroller, Orissa.
6. Punjab	6. Comptroller, Sind.	6. Deputy Accountant General, Posts and Telegraphs, Calcutta.
7. Posts and Telegraphs		7. Government Examiner, M.S. M. Railway.
8. Director of Audit, Defence Services.		
9. Director of Railway Audit.		

Pay and Cadre Schedules, 1935: In 1935, the strength including the

[35] Government of India, Finance Department No. F. 14(20)Ex-II/39, dated the 22nd September, 1939.

number and character of posts and the rates of pay applicable to government servants other than those coming under the Revised Rates of Pay Rules, 1933 were issued and notified in the Gazette[36] of India in Schedules, under the powers in the Civil Services (Classification, Control and Appeal) Rules. The rates of pay for the Indian Audit and Accounts Service notified were those sanctioned in 1924 and included in the Superior Civil Services (Revision of Pay, Passage and Pension) Rules. The idea was that all changes should also be by formal amendments by rule and notification to those schedules, which came to be known as "Pay and Cadre Schedules of Central Services."

Formation of the Finance and Commerce Department Pool Cadre: The Government of India had long recognised that the specialised and increasingly complex character of the work in the Finance and Commerce Department Secretariats and in the various offices subordinate to those departments had created a need for building up an expert cadre of officers with special knowledge, experience, and outlook for the purpose. In order to be suitably equipped for the higher duties in these two departments it was thought essential that an officer apart from having general administrative experience should at a fairly early stage of his service, become familiar with the characteristics of Indian finance and taxation and with the principles and methods of Indian trade and tariff policy. In order to secure a regular supply of such qualified officers a special pool of officers was encadred[37] with the approval of the Secretary of State to serve the needs of the two departments. Recruitment to the Pool Cadre was to be made from the Indian Civil Service, Indian Audit and Accounts Service, Military Accounts Department, Imperial Customs Service and Income Tax Department, with no precise ratio for recruitment as between the various services, except for a general reservation for the Indian Civil Service corresponding to the number and character of posts previously reserved for or normally held by members of that service. Thus out of 9 Class A and 34 Class B posts, 23 posts were reserved to the Indian Civil Service, and out of 24 Class C Posts, 12 were reserved to it. Out of the duty posts in the Indian Audit and Accounts Service cadre, the following 8 posts got encadred in the Pool:

1 Post of Deputy Auditor General.
3 Posts of Accountants General or equivalent thereto.
4 Posts in the General List, later reduced to 3.

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[36] Government of India, Finance Department Notification No. F. 22(1)Ex-I/35, dated the 1st March, 1935.

[37] Government of India, Finance Department Resolution No. F. 28(6)Ex-II/38, dated the 2nd February, 1939.

The war created abnormal conditions and upset reservations and normal working of the Pool Cadre. Since Independence, reservations for the Indian Civil Service have been removed. In December 1950, the Government of India sanctioned "The Indian Civil Administrative (Central) Cadre Scheme." In view of the constitutional and independent status of the Comptroller and Auditor General, he held that no posts in his Department could be reserved for Indian Civil Administrative Pool officers. The Government of India agreed that all posts in the Audit Department should be treated as "excluded posts" from the date of the formation of the new cadre, *viz.*, the 20th December, 1950. It was, however, only in 1956 that the posts borne on the establishment of the Indian Audit and Accounts Department till then reserved for the officers of the Finance and Commerce (Pool) Cadre were formally encadred[38] in the Indian Audit and Accounts Service. A scheme of interchanging officers of one department with those of another had recently been introduced and did away with the necessity of reserving any post in the Indian Audit and Accounts Department for non-Indian Audit and Accounts Service Officers.

The World War II : The post of Audit Officer, Indian Stores Department was designated Chief Auditor, Indian Stores Department in August 1939. It was up graded[39] to Class I from the 1st October, 1939. From the 1st September, 1940 his office was transferred to the Military Accounts Department and called Controller of Supply Accounts. From the 18th December, 1941 it was raised to the same rank as Accountant General and later from the 31st August, 1942 designated Chief Controller of Supply Accounts. When it came back to the Indian Audit Department from the 1st April, 1947 it became temporarily an Accountant Generalship called Accountant General, Food, Industries and Supplies and the subordinate offices at Delhi, Calcutta and Bombay as offices of the Deputy Accountants General, Industries and Supplies.

The formation of the Emergency Cadre of the Indian Audit and Accounts Service in 1941 consequent on the war is dealt with under a separate heading at the end of this section.

Independence and Partition, 1947: The General arrangements relating to the partition of the country from the 15th August, 1947 into the Dominions of India and Pakistan, have been narrated in Chapter III. The following posts on the cadre of the Indian Audit and Accounts Service

[38] Government of India, Ministry of Finance, Department of Economic Affairs No. F. 1(1)-Admn.II/56, dated the 27th January, 1956.

[39] Government of India, Finance Department No. F. 14(20)-Ex.II/39, dated the 22nd September, 1939.

were surrendered to Pakistan:

Accountant General Class II	2	
Class I General List	3	plus 1 temporary post.
Class II General List	11	plus 2 temporary posts.
TOTAL	16+3 (temporary)	

The strength of the Cadre of the service before Partition was 129 as below:

Duty posts	80
Deputation posts with the Government of Burma	4
Deputation posts for the Pool Cadre	11
Deputation Reserve	10
Leave Reserve	6
Training Reserve	10
Shadow posts	8
TOTAL	129

In addition 7 duty posts were borne on the Pool Cadre and there were 33 temporary posts.

A temporary Class I post was created for East Punjab and exchanged in Accountant General's rank with the post of Chief Auditor, GIP & B B & CI Railways from the 1st March, 1928. Including this and a Class II post created for the office of the Accountant General, Bihar, as also a Class I post of Controller of Coal Accounts, which had come under the control of the Auditor General, the number of duty posts after Partition was fixed at 66. The reserves, etc., were the same as before and the total cadre was 115 as against 129 before Partition.

In 1948,[40] the post-partition cadre was fixed at 137 as below:

Duty Posts	78
Deputation reserve for Finance and Commerce Department (Pool) Cadre	12
Deputation Reserve	25
Leave Reserve	6
Training Reserve	10
Shadow posts	6
TOTAL	137

[40] Government of India, Finance Department No. F 2(21)-E.II/48, dated the 17th August, 1948.

By categories this was made up of :

Accountant General			
Class I	4		
Class II	5		
General List Class I	8		
General List Class II	114		
		*Accountant General	
Shadow posts*	6	Class II	2
		IA &AS	
		Class I	4
	137		6

The First Central Pay Commission (Varadachariar Commission): The revised scales of pay prescribed as a consequence of the retrenchment campaign in 1931, never popular at any time, came up for considerable criticism during the war years. The Government of India had to formulate measures to protect their employees against the hardships caused by the rise in prices by grants of dearness allowance and war allowance. Even these were criticised as inadequate and the intention of Government to institute an enquiry into the range of Government salaries was announced on the 7th February, 1946 in the Legislative Assembly, when certain grievances of Posts and Telegraphs employees were discussed. A Pay Commission was appointed on the 11th May, 1946 with the Hon'ble Mr. Justice Srinivasa Varadachariar as Chairman. The Commission submitted their report to Government in May 1947. The revised scales of pay and allowances approved by Government as a result of the recommendations of the Commission were embodied in the Central Civil Services (Revision of Pay) Rules, 1947. Pre-1931 entrants continued to be protected in their old scales and the benefit of the increase was given to the Post-1931 entrants and the old entrants who opted for the new scales, from the 1st January, 1947 but was confined to persons who had opted for India on Partition.

Under the Revision of Pay Rules the following scales of pay were prescribed for the various posts in the Indian Audit and Accounts Service :

Accountant General	Rs. 2000—125—2250. For Accountant General, Posts and Telegraphs, Director of Railway Audit and Director of Audit, Defence Services.
	Rs. 1800—100—2000. For Accountants General other than those referred to above.

	Rs. 1600—100—1800. For Comptrollers.
General List	
Class I	Rs. 1300—60—1600.
Class II (*a*)	Rs. 600—40—1000—1000—1050—1050—1100—1100—1150 (Senior scale).
(*b*)	Rs. 350—350—380—380—30—590—EB—30—770—40—850 (Junior scale).

The posts that were to be in the Senior Scale or in the Comptroller's grade were specified by an executive order by the Government of India in[41] 1948. The Commission's[42] views regarding the advantages of junior and senior time-scales and the use of efficiency bars are of interest. Regarding Class I services they observed that the cadre of executive posts might be conveniently divided (like the Indian Civil Services) into a junior and senior scale. They were in favour of the view that some method must be found for providing an incentive to efficiency and a reward for marked ability to counteract the deadening effect which the certainty of normal progress on the time-scale was likely to create and that such incentive and reward could be provided by having a junior and senior scale, with provision for the abler men being promoted to the senior scale fairly early in their service.

Regarding efficiency bars they pointed out that right down from the time of the Islington Commission all responsible authorities had regarded the principle of the efficiency bar as an indispensable part of the time-scale system, if it was to work satisfactorily.

A scale of dearness allowance based on a cost of living index of 185 to 200 on the pre-war base was also brought into effect for those on salaries up to 2000 per mensem, with marginal adjustments up to Rs. 2150 per mensem.

The after math of the Depression and the War: Before the great depression of the Thirties the recruitment to the Indian Audit and Accounts Service for several years was not less than four a year. The training reserve of 10 had been fixed on that basis. But after the depression, recruitment was suspended for some years and when it recommenced it was on an attenuated scale. When the first Indian Auditor General took over in August, 1948 he soon found that the service was inadequate for discharging its responsibilities. A few months after his assuming charge, in a memorandum dated the 1st January, 1949 to the Economy Committee, he explained in detail the great harm done to the Department and to national interests in general by the

[41] Government of India, Finance Department No. F. 2(4)-E II/48, dated the 11th August, 1948.

[42] Report of the Central Pay Commission, 1947, paras 59 and 61.

rather mistaken recruitment policies followed for about two decades since the great depression of the Thirties, with the reduction of the Superior Staff and the consequential reduction in the quantum of audit in many respects. He pointed out that at the time, he had a cadre of 160 Indian Audit and Accounts Services officers and 204 Assistant Accounts Officers including temporary posts. He regarded this as a wholly unbalanced position. The proportion of Indian Audit and Accounts Service officers and Assistant Accounts Officers was about 3:1 before 1920. By 1939 this proportion had gradually been altered to 50:50. On the 1st December, 1948, out of a total number of 302 Gazetted charges, only 39 were actually manned by Indian Audit and Accounts Service officers as against at least 150 which should have been filled up by them even on the proportion of half and half. Against a deputation reserve of 43, 74 officers were on deputation. He considered the leave reserve of 6 ridicu'ously low and in effect it involved appointment of Assistant Accounts Officers in leave vacancies and, therefore, a further permanent reduction of Indian Audit and Accounts Service duty posts. He worked out that the strength of 160 should be raised to 291 on existing sanctions and the proportion of Assistant Accounts Officers to Indian Audit and Accounts Service officers and without any material addition to the work. But for increasing standards to pre-war levels and for copying with increasing demands for deputation, he was of the view that an all round increase of 20 per cent of the figure of 291 was necessary, *i.e.*, the cadre should stand at 349. The Economy Committee accepted the special position of the Audit Department and how it required to be thoroughly repaired and reconstructed.

In a memorandum on the Report of the Economy Committee, the Auditor General suggested a scheme of re-organisation and followed it up by a supplementary memorandum in August 1949.

The Government of India appointed a Special Committee to scrutinise the Auditor General's proposals, accepted the various proposals made as necessary but agreed to implement only some of them in view of the urgent need for economy in the circumstances then prevailing.

Annual recruitment of probationers was increased to 25-30. The Commercial Audit Branch was revived. The Headquarters office was strengthened by creation of a post of Additional Deputy Auditor General, two senior Assistant Auditors General (later designated Directors) and 2 Assistant Auditors General. Inspection of Audit offices was revived and 2 posts of Directors were sanctioned. A temporary post of Additional Deputy Auditor General for States was created to evolve a co-ordinated scheme for fitting into the existing Audit Organisation, the former Princely States

or Unions of States. Later this post was converted to that of Additional Comptroller and Auditor General (Report). Other measures are dealt with in the appropriate places.

Temporary Posts were sanctioned as and when necessary by the Comptroller and Auditor General under his own powers and in 1954, there were 78 such posts, which included 6 in the rank of Accountant General, 4 in the grade of Comptrollers and 11 in Class I of the Indian Audit and Accounts Service. On the basis of a 50:50 proportion between Indian Audit and Accounts Service and Assistant Accounts Officers, the actual requirements were worked out as for a total cadre of 486 including a leave reserve of 10 per cent, training Reserve of 8 per cent and a deputation reserve of 5 per cent. In view of the experiment on separation of audit and accounts in contemplation actually 75 additional posts were asked for in Class II against 282 required. Ten posts out of these were to remain temporarily upgraded in Class I, 4 in Comptroller's grade and 3 in the Accountant General's grade. This was sanctioned by Government in December 1954,[43] the temporary posts in higher grades detailed above being up to the 29th February, 1956.

Second Central Pay Commission 1957-59 : The only change affecting this service made after 1947 was to treat half the dearness allowance payable to persons whose pay did not exceed Rs. 750 per mensem, with effect from the 1st April, 1953 as pay for certain purposes as recommended by the Dearness Allowance Committee (1952) of which Shri N. V. Gadgil was Chairman.

The Second Pay Commission was appointed in August 1957 with Shri Justice B. Jagannatha Das, as Chairman and reported in August 1959. The Commission recommended that in Class I services, the Junior and Senior Scales introduced as a result of the recommendation of the First Pay Commission should be replaced by a continuous time-scale, as was the practice before 1947. They held that the arrangement of having two scales—Senior and Junior—in the main career grade would work well only if there was a relatively small number of posts in the junior scale—a number sufficient to secure an adequate supply of officers for senior posts, but not appreciably in excess of that. In most of the Class I Central Services there were more posts in the junior than in the senior scale. In normal conditions, therefore, stagnation was likely to occur in the junior scale and there was no well founded expectation of officers moving up to senior scale in about the sixth year of service. Retention in junior scale for a considerable period would "sap their initiative and damp their enthusiasm" and the very purpose

[43] Government of India, Finance Department No. F. 4 (11) Admn. II/54, dated the 30th December, 1954.

of constituting Class I Services and of having direct recruitment would be defeated.

The pay of officers of the General List Class II was accordingly recommended in a continuous time-scale of Rs. 400—400—450—30—510—EB—700—40—1100—50/2—1250.

The salaries, the Commission recommended, were related to the 1949 price level.

The Commission did not recommend any change in respect of other posts in the service except, as stated earlier, with regard to the post of Deputy Comptroller and Auditor General, for which, pay for "new entrants" not having been fixed till then, they recommended a pay of Rs. 2750 a month.

The Schedule[44] to Central Civil Services (Revised Pay) Rules, 1960 gave effect to these recommendations.

The service which in 1858 comprised 18 covenanted and 5 uncovenanted appointments had on the 1st October, 1965 a strength of 419 distributed as follows :

Office of the Comptroller and Auditor General	19
Civil Audit and Accounts offices	295
Commercial Audit offices	18
Posts and Telegraphs Audit and Accounts offices	29
Railway Audit offices	35
Defence Audit offices	14
Audit Office, London	6
Audit Office, Washington	2
IA &AS Training School	1
	419

Recruitment and Training

The reservation of posts for the Covenanted/Indian Civil Service, the European element in the service, both of which are now matters of past history, and the proportion of promoted subordinates have been dealt with under separate headings. Broadly only the recruitment and training of those who came to the service otherwise than by promotion or from the Civil Service will be dealt with under this heading.

[44] Government of India, Ministry of Finance (Department of Expenditure) Notification No. 1962, dated the 2nd August, 1960.

The Government of India promulgated[45] in 1871 its decision that in future appointments to the sixth class of the Financ'al Department would be made as follows: Candidates for admission to the Department would be selected, from time to time, according to the requirements of the service, three being named for each expected vacancy. The age of candidates when examined was not to exceed 25. The nominated candidates had to take a written examination in the following subjects and had to secure for admission half the marks in each subject and 700 marks in all. This was amplified in 1872[46] to allow an officer who had obtained not less than 800 marks on all subjects taken together to be held to have passed the examination in those subjects in which he had obtained two thirds of the marks obtainable. In 1873, the provision was again amended to state that no candidate would be admitted to the Department who obtained less than 500 marks in all subjects or 150 marks in Airthmetic.

	Marks
Writing and Composition. Impromptu essay upon some given subject	150
Arithmetic, including Compound Proportion, Simple Interest, and Decimal Fractions.	300
Latin, Greek, Sanskrit, French, German or Persian ..	200
English History and Literature, and Indian History (Elementary)	200
Geography, Asia (especially India) and Europe.	150
	1,000

A candidate would not be allowed to compete at the entrance examination more than twice.

Officers admitted to the service had to pass a Lower Departmental Examination at the fourth (half yearly) or some earlier examination and a Higher Departmental Examination at the eighth (half yearly) or some earlier examination after they joined the Department and otherwise would, without further orders, cease to belong to the Department from the date on which the result of the examination was declared. An officer would not be promoted substantively to the fifth class until he had passed the Lower Departmental Examination and to the fourth class until he had passed the Higher

[45] Government of India, Financial Department Resolution No. 3116, dated the 18th December, 1871.

[46] Notification No. 4673, dated the 26th December, 1872, and No. 1477, dated the 5th July, 1873 and No. 2422, dated the 21st August, 1873.

Departmental Examination.

In 1874, rules for the training of junior officers in the Financial Department were approved by the Government of India and notified.[47] During the training, which was to be for a period of not less than one year, the officer must not be appointed to act in any higher class of the Department or to undertake any higher duties.

During the period of training the junior officers had to serve an apprenticeship in the various sub-divisions of a Provincial Accountant General's office, *viz.*, Treasury Accounts, Accounts Current, Compilation, Book, Budget and Resource Departments. They had to obtain sufficient knowledge to be able to undertake the work of these divisions without assistance.

After the year's training was over, the Head of the office had to make[48] a report through the Comptroller General to the Government of India whether the officer had, in his opinion, qualified for promotion to a higher class.

In 1876, the[49] subject of "Algebra to Quadratic Equations inclusive" was transferred from the Departmental Examination to the examination for admission with 250 marks and the total marks were raised to 1250. A candidate to be admitted to the Department had to obtain not less than 600 marks in all and not less than half the marks in Arithmetic and Algebra.

Some changes in the rules for[50] Training and for Departmental Examinations were also effected. After learning about Accounts, attachment to Audit sections dealing with audit of payments to Gazetted officers and pensioners in addition to payments to establishment and on account of contingent charges was prescribed. It was thought not desirable to lay down any particular period of training but on no account was the training to be hurried and an Accountant General had to satisfy himself that the junior officer had acquired a competent knowledge of the ordinary duties of the several branches of an Accountant General's office and certify to that effect to the Government of India through the Comptroller General.

An officer could pass each of the Departmental Examinations in two instalments, if he notified his intention before hand and specified the subjects in which he was prepared for examination. In such case a higher standard

[47] Government of India, Financial Department Notification No. 4051, dated the 31st December, 1873.

[48] Government of India, Finance Department Resolution No. 4366, dated the 30th October, 1875.

[49] Government of India, Financial Department Resolution No. 2273, dated the 13th April, 1876.

[50] Government of India, Financial Department Resolution No. 1673, dated the 19th July, 1896.

of knowledge was required. As a rule, a candidate failing in one of the subjects specified would be re-examined in the whole but in the case of marked excellence in a subject, he might be exempted from re-examination in that subject, even though he had failed in others. The periods for passing the Lower and Higher Departmental Examinations were the same as before.

An officer[51] who had passed the Departmental Examination by either standard would be appointed to any vacancy in the fourth or fifth class, in preference to any of his seniors who had not passed by the same standard. An officer[52] who failed to pass by the lower standard at the third examination after his appointment to the service ranked, for any acting appointment to the fifth class, below all junior officers who passed by the lower standard before him. An officer who failed to pass by the higher standard by the fifth examination after his appointment to the service ranked for any acting appointment to the fourth class, below all junior officers who passed by the higher standard before him.

In 1886,[53] the rule made in 1873, that during the period of at least one year's training an officer must not be appointed to act in any higher class, was modified to permit the appointment of an officer who had passed the Lower Departmental Examination to act in a higher class and to undertake higher duties.

Revised rules for examination, both entrance and departmental were issued in 1890[54] and came into force from the examination in 1891. The total marks for the entrance examination were changed from 1250 to 1350 by increasing the marks for Arithmetic by 25 and for Algebra by 75.

In 1895,[55] the marks for "Writing and Composition" in the Entrance examination were increased from 150 to 200 and the total from 1350 to 1400. A candidate to be admitted to the Department had to obtain 700 marks in all and not less than half marks in Mathematics or in writing and composition.

Revised rules for the registration, nomination and examination of candidates for admission to the Enrolled List of the Financial Department were

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[51] Government of India, Financial Department Resolution No. 2632, dated the 5th September, 1876.

[52] Government of India, Financial Department Resolution No. 3496, dated the 28th December, 1876.

[53] Government of India, Financial Department Resolution No. 687, dated the 13th February, 1886.

[54] Government of India, Finance and Commerce Department Resolution No. 6023, dated the 31st December, 1890.

[55] Government of India, Finance and Commerce Department Resolution No. 5023, dated the 23rd October, 1895.

promulgated in 1899.[56] It was prescribed therein that the standard required for the compulsory subjects would be that of the B.A. Honours course of the Calcutta University and for the optional subjects that of the M.A. course of that University, as defined in the Calendar for the year in which the examination was held. In 1901,[57] however, it was ruled that while the standards required might be as above, the examination should not be confined to the text books prescribed by the Calcutta University for its B.A. (Hons.) and M.A. degree examinations, so that graduates of that University might not be unduly favoured.

It was also ruled in 1899[58] that a departmental examination held within three months of an officer's appointment would not count as one of three examinations for purposes of regulating the seniority for promotion to higher classes, unless he appeared at it.

In 1904,[59] the subjects for the Higher Departmental Examination prescribed in 1890 were substituted, the main change being reference to later books in Political Economy.

Till 1909, examinations for admissions to the Enrolled List of the Civil Accounts Department and the Superior Accounts Branch of the Public Works Department were conducted separately. In 1899,[60] the subjects for examination for admission to the Superior Accounts Branch of the Public Works Department were prescribed as the same as for entrance to the Engineering class of the Roorkee College. The Government of India found that this examination was not altogether suitable and had failed to attract a sufficient number of thoroughly qualified candidates. They, therefore, decided to substitute the syllabus of the examination for entrance to the Enrolled List of the Civil Accounts Department, and to maintain a register of candidates under the immediate supervision of the Government of India. They also decided to institute a combined[61] examination for the two services. Revised Rules were drawn up and the subjects for examination and marks

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[56] Government of India, Finance and Commerce Department Resolution No. 1524, dated the 10th April, 1899.

[57] Government of India, Finance and Commerce Department letter No. 5563, dated the 8th December, 1899 and Resolution No. 6475, dated the 29th December, 1900.

[58] Government of India, Finance and Commerce Department Resolution No. 3036, dated the 11th June, 1901.

[59] Government of India, Finance Department Resoluton No. 7682, dated the 7th December, 1904.

[60] Government of India, Public Works Department Resolution No. 139A.E., dated the 17th June, 1899.

[61] Government of India, Finance Department Resolution No. 3581-F.O. & A., dated the 15th July, 1909.

changed a good deal as below :

SUBJECTS FOR EXAMINATION

Compulsory Subjects			*Marks*
Writing and Composition, Impromptu Essay upon some given subject			300
Political Economy and Logic			300
English History and Literature and Indian History			200
Optional Subjects			
Mathematics:	Group A	Pure Mathematics as principal subject with Mixed Mathematics as subsidiary subject.	
	Group B	Mixed Mathematics as principal subject with Pure Mathematics as subsidiary subject.	
Physical Science:	Group C	Chemistry.	
	Group D	Heat, Electricity, and Magnetism as principal subjects with Light and Sound as subsidiary subjects.	
	Group E	Light and Sound as principal subjects with Electricity, and Magnetism as subsidiary subjects.	

Each group carried 500 marks.

In each group the standard required was that of the M.A. Course of the Calcutta University, as defined in the Calendar for the year in which the examination was to be held.

There was a practical examination in each of the groups C, D, and E. No candidate could take up more than one group.

A new feature was provision for a *viva voce* test in the last two groups of the compulsory subjects mentioned above.

The rules for the Accounts Branch of the Public Works Department prescribed as detailed a course of training as the rules for the Enrolled List did. Recruits were attached to the offices dealing with Buildings and Roads and Irrigation Accounts and the training programme provided for a visit to a divisional office. The subject for Departmental Examination included Public Works Department Code and as an optional, State Railway Accounts. As in the Civil Side, Departmental Examinations were half yearly and without books. The Accounts Branch of the Public Works Department was amalgamated with the Indian Finance Department (former Enrolled List)

from the 1st April, 1910 and recruitments thereafter were made to the latter only.

Revised rules for the examination of candidates in India for admission to the General List of the Indian Finance Department were issued in 1911.[62] The subjects for examination and marks were changed as follows :

Compulsory	*Marks*
Writing and Composition	300
Optional	
Any two of :	
(*a*) Political Economy and Economic History	(400 each) 800
(*b*) Mathematics (Pure and Mixed)	
(*c*) Physics	
(*d*) Chemistry	
(*e*) History (Indian and English)	
(*f*) One classical language with its literature ; *viz.* Latin, Greek, Hebrew, Sanskrit, Arabic, Persian.	
TOTAL	1100

With the compulsory subject reduced to one, the *viva voce* test in the other two compulsory subjects under the earlier rules disappeared. Another change in the rules was that the standard required in the optional subjects was that of the B.A. Honours degree in any Indian University where the subjects were prescribed. Formerly the standard was that of the Calcutta University specifically.

Another important change was that the successful candidate was required before appointment to the Department to pass a qualifying examination in :

(*i*) Elementary Mathematics,
(*ii*) Book-keeping by single entry, and
(*iii*) Political Economy.

Candidates who had taken Mathematics or Political Economy for the competitive examination were exempted from (*i*) and (*iii*) respectively. If a candidate who had succeeded in the competitive examination failed on two occasions to pass the qualifying examination, he would not receive an appointment in the Department.

[62] Government of India, Finance Department Resolution No. 281 F.E., dated the 17th January, 1911 published in the Gazette of India, dated the 21st January, 1911, Part I, pp. 42-44.

Regulations regarding appointments to the Indian Finance Department, Indian Finance (Military) Department, as the Indian Military Accounts Department came to be called, and the Indian Customs Department, made by the Secretary of State, for appointments by him in England were promulgated in 1912. A minimum age of 22 and a miximum of 25 as on the 1st August of the year of candidacy were prescribed. The reasons for the Government of India's asking for recruitment of Europeans in England have been dealt with in the section on the European element in the Service. Possession of a University degree with Honours or a good place at the open competition for the Home (Class I) and Indian Civil Service, or otherwise evidence of a high standard of education was necessary for an application to receive consideration. It was considered by the Secretary of State[63] that a proposal by the Government of India for a qualifying examination in Arithmetic, Book-keeping and Political Economy, for recruits in England could not be carried out without considerable inconvenience and delay in making appointments and that parts, if not the whole of it, would be unnecessary in the case of almost every candidate selected by him. They could, however, take the same qualifying examinations in India as the officers recruited in India. In a further despatch, a few months later, the Secretary of State said that it was desirable that candidates recruited in England should be exempted from passing the qualifying examination though, of course, they could be required to pass the departmental examination. He undertook to appoint only candidates who could produce satisfactory evidence that they had a sufficient knowledge of elementary mathematics. The Secretary of State was also inclined to the view that subjects regarded as obligatory should preferably be included in the competitive examinations and that no further examination was desirable except the departmental. A solution was found by the Government of India by including Book-keeping and Political Economy in the Lower Departmental Examination and itself also undertaking like the Secretary of State not to nominate any candidate in India who could not produce evidence that he possessed a sufficient knowledge of elementary mathematics. On this basis it was decided to abolish the qualifying examination which successful candidates had since 1911 been required to pass before receiving the appointment.

In 1913,[64-65] the rules were amplified to provide for a minimum age

[63] India Office No. J & P 3870, dated the 13th November, 1911, and Secretary of States Despatch No. 24 Financial, dated the 14th February, 1913.

[64] Secretary of States Despatch No. 120 Financial, dated the 12th September, 1913.

[65] Government of India, Finance Department Resolution No. 1186 FE, dated the 6th October, 1913.

of 22 for a candidate as on the first day of the month in which the examination was held and came into effect after the examination of 1913.

In the same year,[66] a decision was also taken not to reckon a probationer against the sanctioned strength of the Department for two years from the date of commencement of his service.

Revised rules[67-68] for examination of candidates in India for admission to the General List of the Indian Finance Department were promulgated in 1914. In the earlier rules applications had to be made to the Government of India in the Finance Department by candidates for nomination. local Governments and Directors of Public Instruction could also apply on behalf of persons who wished to be candidates. In these rules it was laid down that names would ordinarily be entered in the register of candidates only on the recommendation of a local Government. On or before, the 1st of May each year local Governments had to send their recommendations for nomination with a statement containing prescribed particulars. Another departure was to permit at the discretion of the Government of India a higher age limit of 30 for a candidate already in government service since before the age of 25, if recommended by the Head of his Department.

It was ruled[69] in the same year that increments of pay admissible to probationers on their passing the Departmental Examinations should be deemed to accrue from the date following the date on which an examination ended.

The amalgamation of the Superior Accounts Branch of the Public Works Department with the Civil Accounts Department meant that the latter had to learn the systems of Public Works and of Railway Accounts as well as Civil Accounts. The Departmental Examinations had to be amalgamated and arrangements had to be made for recruits to be posted for a time to Railway Accounts Offices to be given some idea of the work done therein. It was also thought necessary to arrange visits to Treasuries and the offices of Executive Engineers so as to trace the accounts from their inception. Training arrangements were amplified accordingly.

The revised Departmental Examination was not merely an amalgamation of all the subjects formerly prescribed. It was felt that it was impossible

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[66] Government of India, Finance Department letter No. 1345 FE, dated the 28th October, 1913.

[67] Government of India, Finance Department Resolution No. 1251 FE, dated the 30th September, 1914.

[68] Government of India, Finance Department Despatch to the Secretary of State No. 383, dated the 8th October, 1914.

[69] Government of India, Finance Department letter 117 FE, dated the 9th September, 1914.

and unnecessary to ask a recruit to pass an examination without books in all the subjects. The first step was to relegate the non-technical subjects to a separate qualifying examination. It has been stated earlier, that this qualifying examination was later abolished in 1914. The next was to divide the examination into the subjects of which only a general knowledge was required, and the codes, the detailed rules in which had to be known. The former were put into the Lower Departmental Examination to be conducted without books and the latter into the Higher in which books might be used. Thus under the "Revised Rules regarding Departmental Examination of officers in Class IV of the General List of the Indian Finance Department" issued in 1912[70] the subjects and marks in the Lower and Higher Departmental Examinations were as follows:

Lower Departmental Examination	*Marks*
Precis and Draft	200
Political and Revenue System of India	250
Financial Statements	200
TOTAL	650
Higher Departmental Examination (with books)	
(*i*) Civil Account Code (Detailed rules and practical test)	250
(*ii*) Civil Service Regulations (—ditto—)	250
(*iii*) Public Works and State Railway Codes ..	250
(*iv*) Government Book-keeping and Finance and Revenue Accounts	250
TOTAL	1,000

This change in the examination rules removed a defect in the earlier system of training which paid more attention to ensuring knowledge of the text-books than to ascertaining whether recruits could apply them in practice.

There were still two defects in the system. The recruits were given a mass of detailed rules to learn before they were taught the fundamental principles on which the rules were based. The recruits were also left too much to their own guidance and, except in certain cases, did not receive sufficient assistance from the Heads of Offices in which they were trained. Both Mr. Gillan and after him Mr. (later Sir Frederic) Gauntlett gave anxious consideration to the subject. The former after much deliberation came to

[70] Government of India, Finance Department Resolution No. 156 FE, dated the 17th June, 1912.

the conclusion that it was absolutely necessary to give the probationers a thorough grounding in the general principles and in the theory of audit and accounts (for which there was no provision whatsoever), without at the same time overlooking the equal importance of practical training. The two things, he said, were indeed complementary. The young Accounts Officer had not got his orientation and could not properly appreciate or perform his duties until he knew the principles on which they were based and their place in the system as a whole. On the other hand, a grounding in principles was infructuous until it was enforced by practical work. The two things ought to go hand in hand from the very start so that theory might illumine practice and practice illustrate theory. To give effect to his ideas he drew up a scheme the essential features of which were that all probationers should be brought together in Calcutta, where a course of lectures would be delivered in the several subjects in which it was desirable that the probationers should be instructed and where, at the same time, the latter would almost immediately start some practical work by being attached to one or other of the Account Offices. The position, however, partly altered by the decision to move the capital to Delhi and Mr. Gillan was, therefore, obliged to leave matters as they were. His successor, Mr. Gauntlett found it impossible to start the scheme of lectures in Delhi soon after the transfer of the Capital there but got the new scheme of examination, emphasising practical knowledge, introduced at once as explained in the previous paragraph. It was, however, only in March 1950 that for the first time a batch of 10 Indian Audit and Accounts Service probationers could be attached to a training school in Madras for intensive training. It now functions at Simla. Before coming to this school, probationers get a short period of training at Mussoorie along with probationers of other services.

In 1914, the formula was proposed by the Government of India and accepted[71] by the Secretary of State (Lord Crewe) that the sanctioned strength of the Department should be taken at a figure represented by 130 per cent of the total sanctioned charges existing from time to time plus one. The formula thus accepted gave the total strength to be aimed at when making the annual calculations of the number of recruits to be obtained, whether by nomination in England, or by competitive examination in India, or by the promotion of subordinates. In calculating the existing strength for the same purpose, the actual strength of officers belonging to the Department, at the time the calculation was made, was first taken. A reduction was then made on account of officers on foreign service or prolonged deputation to other departments. A further reduction was made on account of retirements

[71] Secretary of States Despatch No. 98 Financial, dated the 11th September, 1914.

which were known to be impending before the 1st April of the following year. Finally an addition was made in respect of any recruits who had already been nominated by the Secretary of State but had not yet arrived in India. The difference between the "sanctioned strength" and the "existing strength" so obtained represented the estimated shortage of strength and the actual number of recruits required.

It was desired[72] that there should be some regularity in the number of recruits taken annually and the number of vacancies periodically offered should be as steady as possible. This assumed practical importance at a late stage of service when officers compete with one another for the higher appointments above the time scale. In practice this was to some extent secured by increasing the numbers promoted from subordinate ranks. The officers promoted received advancement at too late an age to hope to reach selection appointments and were thus still on the time-scale when they retired, so that any abnormal deficiency was made good at once without inconvenient consequences in connection with the filling of higher appointments many years later.

While retaining the discretion in the matter of the number of promoted subordinates in any year, the Government of India got the Secretary of State in 1914 to authorise it to adopt what was called the "scientific method" of spreading the supply of considerable deficiencies or the removal of excesses over a period of three years, following the practice in the Indian Civil Service and the Indian Police Service. This method implied that, though on some occasions the Department might be deliberately kept for a short time under strength, on others a slight excess of strength above that contemplated by the existing sanction might have to be tolerated. This variation over or below the normal recruitment figure would be limited to 50 per cent of that figure. In the then existing circumstances of the Indian Finance Department this meant a maximum of three. This formula was changed in 1928[73-74] when it was decided that the number of officers to be recruited by examination was to be determined according to the following revised formula :

$$C + N + \tfrac{1}{3}(S - C - N)$$

C being the number of posts newly created since 1st August last less the number of subordinates whose promotion was rendered possible by their

[72] Government of India, Finance Department Despatch to the Secretary of State No. 264, dated the 27th August, 1915.

[73] Government of India, Finance Department letter to the Secretary of State No. F. 7/XII/R. II/27, dated the 15th August, 1928.

[74] Secretary of States Telegram No. 2653, dated the 20th September, 1928.

creation, N the normal recruitment, which was taken at 6, and S the shortage on the 1st April of the following year.

In 1919, the Government of India decided[75] that in each province an advisory selection committee should be appointed in order to secure that the personal qualifications of candidates for entry in the Register of candidates for admission to the General List of the Indian Finance Department were brought definitely under review and scrutiny on uniform lines throughout India.

The Committee was to comprise :

(1) One of the Secretaries to the Local Government who should ordinarily be the Secretary in charge of the Finance Department.

(2) The Director of Public Instruction or a representative of his department, to provide for the expert scrutiny of educational qualifications.

(3) The Accountant General or Comptroller who would advise on the needs of the Department.

(4) At the Local Government's discretion one or two non-officials, either for a year or for any longer period.

The duty of the selection committee was to interview the candidates for registration, and to submit their recommendations to the Local Government, which after considering them, should forward its proposals to the Government of India, arranging the candidates in the order of their believed suitability. After 1919, Rules for the training of junior officers and for Departmental Examinations came to be issued by the Auditor General, and the Government of India came in only on issues affecting the sanctioned strength including the training reserve which required its sanction. These rules came to be embodied in the First Edition of the Audit Code issued by the Auditor General in 1922 and since 1938 in his "Manual of Standing Orders". The rules in the Code provided for Treasury Training within the first six months of probation. Only on completion of such training a probationer could take his Lower Departmental Examination. After passing this examination a probationer was given a choice for training in Railway Accounts or in the ordinary line, the Auditor General reserving the right to decide in the public interests for which branch any probationer should be trained. Those electing for Railway Accounts put in a considerable period at a Station, an Executive Engineer's office, a Workshop, a Store Yard and in a Railway Audit Office. The others put in two or more months in a sub-divisional and Divisional office of the Public Works Department and a longer period

[75] Government of India, Finance Department Nos. 216-FE, dated the 14th February, 1919 and 1966 F.E., dated the 5th November, 1919.

in a Civil Audit Office, the training in which followed the 1876 pattern. This training had to be completed before appearing at the Higher Departmental Examination for the respective branch.

In 1920[76] the Government of India reported to the Secretary of State the procedure it was adopting for the recruitment of Burmans for the Indian Finance Department. The Government of India apprehended that the ordinary method of recruitment would debar Burmans altogether. It proposed to appoint from candidates recommended by the Local Government from time to time, the candidate who secured in the competitive examination the highest marks among Burmans, provided he secured 40 per cent of the marks in the compulsory subject (English writing and composition) and 450 in the total. The Secretary of State grudgingly approved the proposal and observed as follows:

> "I will not withhold my approval, but I consider that this method of recruitment should be resorted to sparingly and for some time to come should be regarded as strictly experimental. It would also be suitable to subject the candidates so selected to a some what longer period of probation than other candidates."

Up to 1925 no Burman derived any benefit under this arrangement. In 1926, it was decided to give further facilities to Burman candidates (1) by recommending to the Public Service Commission, when they assumed control for the examination, that the forthcoming examination and examination in future years should be held, at Rangoon simultaneously with that at Allahabad where it used to be held and (2) by assuring that Burman candidates would be retained in Rangoon for the first year of training. These measures, it was thought, would help Burma if accounts of provincial transactions became a provincial responsibility as a necessary step in the grant of further Reforms. At the time of the separation of Burma in 1937 a special deputation reserve for Burma in the Indian Audit and Accounts Service of 7 posts had to be created, to be reduced over a number of years.

With the establishment of the Public Service Commission in India in 1926,[77] it became the function of the Commission to advise the Governor General in Council on any question connected with recruitment to a Central Service, Class I (the Indian Audit and Accounts Service was in this class) which the Governor General in Council may refer to it, and in respect of

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[76] Government of India, Finance Despatch to the Secretary of State No. 120, dated the 20th March, 1920 and Secretary of States Despatch No. 48 Financial, dated the 22nd July, 1920.

[77] Government of India, Home Department Notification No. F-178/14/24, dated the 14th October, 1926.

competitive examinations to be held in India: (*i*) to advise the Governor General in Council in regard to the regulations prescribing (*a*) qualification of candidates, (*b*) conditions of admission to the examination, and (*c*) syllabus of the examination; (*ii*) to announce the number of vacancies; (*iii*) to make all arrangements for the actual conduct of the examination; (*iv*) to arrange the candidates in order of merit on the results of the examination; and (*v*) to forward a list of the candidates to the Governor General in Council.

With the passing of the Government of India Act, 1935, the Federal Public Service Commission came into being and with the Constitution of 1950, the Union Public Service Commission.

The rules for the competitive examination for the Indian Audit and Accounts Service to be held by the Union Public Service Commission are issued by the Government of India, Ministry of Home Affairs, with the concurrence of the Comptroller and Auditor General of India. The Examination is a combined one for All-India and several Central Services. There are reservations and relaxations for Scheduled Castes and Tribes. Candidates have to be graduates of one of the approved Universities or have qualifications recognised by Government as equivalent to a recognised degree. Minimum age of 21 and maximum of 24, relaxable for certain categories have been laid down. A higher age limit for candidates already in service was in vogue for several years but has been withdrawn. Mention has been made earlier of the subjects for the competitive examination when it was being held by the Government of India. The compulsory subjects now carry 450 marks, Essay, General English and General Knowledge (150 each). Optional subjects carry 600 marks and a candidate has to choose three out of 27 subjects carrying 200 marks each. Only two chances are allowed for the competition. In 1915, the Islington Commission had recommended an oral examination. This came into vogue after the First World War. In 1943, it was prescribed that failure in the *viva voce* disqualified a candidate, however, brilliant his performance might have been in the written papers. This gave rise to wide criticism and in 1957 Government decided that there should be no minimum qualifying marks for the "personality test". Personality test carries a maximum of 300 marks.

In 1929, the question of better training of probationers received attention at a conference of all Accountants General and later a model training programme was drawn up. It was, however, not intended to be definitive or exhaustive but the order of training prescribed therein was to be observed as far as possible.

With the separation of Railway Accounts, the distinctive Higher Departmental Examination previously intended for those who had chosen the

Railway Accounts Branch ceased. It was not till 1957 that separate papers on Railway Accounts and Defence Accounts were added to the subjects for Higher Departmental Examination.

Promotions in[78] the service above the time-scales, *i.e.*, to posts in the grades of Accountants General, Comptrollers and Class I are by selection.

Reservation of Posts for Covenanted/Indian Civil Service

When a separate General Department of Account was first constituted by Lord Canning's Government with effect from the 1st May, 1858, it was practically dominated by the Civil Service who had 18 out of 23 posts, the remaining 5 for uncovenanted officers being in the lowest grades. From then onwards the movement was towards giving the Civil Service a diminishing share, except for a set-back in 1876-1880, in the Department till after Independence when all reservations for the Civil Service disappeared. The idea then was to recruit to the Department junior Civilians after they had put in five years' service, as vacancies occurred. The terms, however, were not sufficient either to attract recruits from Civilians or to retain them and much inconvenience was caused by frequent changes.

When the Department was re-organised in 1862 all distinctions between covenanted and uncovenanted services were set aside with a view to creating a self contained department of trained accountants who could not look for employment in any other branch of the Public Service. A member of the Civil Service if he chose to join the Department, had to come in on the same scale of pay, etc., as uncovenanted officers, but Civilians who were in the Department prior to the re-organisation were protected in regard to the old rates of pay and continued to be eligible to the higher salaries of the seven top posts. It was not anticipated that uncovenanted officers would immediately or even for some considerable time be fitted for the higher appointments and these in practice continued to be held by members of the Civil Service. When salaries and grades were next revised in 1865-69, the same protection was continued to the covenanted officers.

In 1876, a memorial was submitted by 190 members of the Covenanted Service that the scheme of 1862 had resulted in a practical exclusion of the members of the service from the Department and contravened the intention of the statute law (Act 24 and 25 Vict. Cap. 54). Under that Act (Indian Civil Service Act, 1861) the following posts were reserved for the Civil Service:

(1) Accountants General

[78] Government of India, Finance Department Nos. F. 5(7). Ex. II/42, dated the 6th April, 1943 and EAD No. F. 4(3) Admn. II/55, dated the 19th April, 1955.

(2) Civil Pay Masters
(3) Sub-Treasurers.

The third of these offices no longer existed; the second had been altered in designation, having merged on the abolition of pre-audit, in the Office of the Deputy Accountant General; the designation of the office of Accountant General to the Government of India had been changed to Comptroller General.

Other reasons were also adduced in favour of reserving the higher posts. An infusion of Civilians was desirable in order to supply the administrative ability required for the higher work of Finance and Accounts. To fill the position of an Accountant General with weight and authority an officer should be socially the equal of other high officers of state and should have within himself the qualification necessary for the conduct and management of a large office of Account, and the prestige of the Department would suffer if members of the Civil Service were excluded. Exclusion would narrow unnecessarily the field of selection for the higher offices. It would lower the importance and consequently the influence of the office of Accountant General by removing it from competition or comparison with the general body of the Civil Service and cause estrangement between the Accountant General and the local Government.

In forwarding the memorials to the Secretary of State, the Government of India wrote that it entertained no serious doubt that it was the intention of the statute that the Chief Officers in the Department should ordinarily be filled by officers of the Covenanted Civil Service and that the Constitution of the Department in 1862 did contravene this intention, but that it was accompanied by large reductions in salaries. The Government felt unable to suggest any method of retracing the step taken in 1862 by Lord Elgin's Government without a considerable increase in the cost of the Department and manifest breach of faith to those officers admitted to the Department since 1862 and the various later orders. The Government of India did not think it necessary to reserve any of the officers permanently for the Civil Service and considered that the offices might be filled more economically and with equal, or at least with sufficient efficiency by a separate organisation as then existed and they adhered to an earlier recommendation made by it to the Secretary of State in a despatch of the 14th April, 1876 that the office of Accountant General might be omitted from the Schedule of offices reserved for the Covenanted Civil Service in a Bill for Parliament that was under consideration of the Secretary of State.

These views did not commend themselves to the Secretary of State. He was concerned with the unsatisfactory position of affairs in the Department. In a despatch in October, 1876 he drew a distinction between the

"administrative business of finance" and "accounting" and if this distinction was recognised, he said, there was no reason why an arrangement should not be made under which members of the Covenanted Civil Service should not be employed in such a way as to secure the provision of recruits for the higher financial posts, wholly from that service, possessed of technical knowledge of accounts, while the less important and more special duties of the Account Branch might be supplied by the uncovenanted service. The principle thus stated was carried into effect in the re-organisation of 1880[79] and the five Accountant Generalships then existing were reserved for the Civil Service and treated as outside the Enrolled List.

Reviewing this step at a much later date the Comptroller General doubted whether there was any real necessity for reversion to the old principle of reservation seeing that the particular feature of the scheme of 1862 which led to the deterioration of the material of the Department was (*a*) undoubtedly the system of selection of probationers by nomination in India, a method which gave unsatisfactory results, and (*b*) apparently the promotion of too many from subordinate ranks.

The first movement in the direction of opening up the higher posts to the Enrolled List was from the Public Service Commission (1886-87). One of the recommendations of the Commission was that the office of Accountant General should be removed from the Schedule to the Statute of 1861. This recommendation was not accepted by the Government of India who still thought that the post of Comptroller General and that of Accountant General in the larger Provinces might be most suitably filled by covenanted civilians but, with the object of affording encouragement to the best officers in the Enrolled List, it was decided in 1891 that one of the five Accountant Generalships might be given to an officer of the Enrolled List, if there was, when a vacancy occurred, such an officer in all respects competent to fill the appointment efficiently. The appointment of an officer selected for such promotion would be made under the Indian Civil Service Act, 1861 (Statute 24 & 25 Vict., Cap. 54) or under the Government of India Act, 1870 (Statute 33 Vic.. Cap. 3) whichever applied to the case. Reference to the former provision has been made earlier. The latter provision related to the appointment of "natives of India" to offices reserved to the Covenanted Civil Service. Both these Acts were embodied as Sections 99 and 100 of the Government of India Act, 1915 which consolidated earlier enactments relating to the Government of India.

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[79] Government of India, Financial Department Resolution No. 3577, dated the 4th November, 1880.

The Enrolled List was re-organised[80] into six classes on fixed, in place of progressive, pay. The following reservations for the Indian Civil Service were made :

Class I	Rs. 1,500—one out of five posts.
Class II	Rs. 1,250—two out of five posts.
Class III	Rs. 1,000—one out of six posts.
Class IV	Rs. 800—one out of eight posts.

Indian Civil Service officers appointed substantively to the Enrolled List after the 1st January, 1891 were to draw pay on the new scale.

In 1897 when the Comptrollership of Burma was raised to an Accountant Generalship it was decided[81] that the new appointment should be filled by selection from the Enrolled List, if there was an officer on that List competent to fill it. Thus two out of six Accountant Generalships became ordinarily open to officers of the Enrolled List, who were not members of the Indian Civil Service; but in order to prevent the arrangements having a prejudicial effect on the position of members of that service who entered the Accounts Department, it was provided that neither in Class I nor in Class II should both the Accountantships be simultaneously occupied by officers who did not belong to the Indian Civil Service. A third Accountant Generalship was thrown open to the Enrolled List when an Accountant Generalship was created for the new province of Eastern Bengal and Assam.

When in 1906 the service was again re-organised[82] and time-scale re-introduced, one out of six Class I posts on Rs. 1600—60—1800 was reserved for the Indian Civil Service. The remaining four reserved posts in the Enrolled List were formed into a Class by itself (Class II) on Rs. 1000—100—1200—1250—50/2—1500 in fourth year. This number could be temporarily exceeded for a period up to six months to permit a Civilian who entered the department in an officiating capacity until he could be absorbed in a permanent vacancy.

In 1909[83] it was decided that the salary of an officer of the Indian Civil Service officiating in the Enrolled List should not be less than Rs. 1,000 a month without exchange compensation allowance. Later the officiating service on the special minimum was allowed to count for increment on confirmation.

[80] Government of India, Finance Department Resolution No. 2157, dated the 20th May, 1891.

[81] Secretary of States Despatch No. 171 (Financial), dated the 14th October, 1897.

[82] Government of India, Finance Department No. 3489-E.O., dated the 22nd June, 1906.

[83] Government of India, Finance Department No. 2805 F.O. & A., dated the 3rd June, 1909.

After the amalgamation of the Public Works Accounts Department with the Civil Accounts in 1910, the position as to reservation of posts in the Indian Finance Department for the Indian Civil Service was as follows. All posts of Accountants General were by statute reserved for officers of that service but by a gradual exercise of discretion vested in the Secretary of State to waive the statutory provision, Civilians came to have an exclusive claim only to four of those appointments. In order to secure an adequate supply of trained incumbents for the offices thus reserved, five posts in the General List were set aside for members of the Indian Civil Service. Civilian Accountants General were promoted from grade to grade in that rank, *pari passu* with their uncovenanted colleagues, in accordance with the length of time for which they had held it, subject to the stipulation that one appointment in each of the first two grades should invariably be held by a member of the Indian Civil Service. A fourth post of Accountant General created on the amalgamation of Postal and Telegraph Accounts from the 1st April, 1910 was also available to non-civilian officers and a fifth when the appointment of Accountant General, Railways was created from the same date.

The position regarding reservation of posts in the Indian Finance Department for the Indian Civil Service was reviewed in 1911. The question was considered from two aspects. One was the interests of the department : the other was the interests of the Civil Service. Taking the latter first, there was a very serious feeling about the necessity which lay upon the Indian Civil Service of concentrating its energies and specialising its work. There was a time, the Finance Secretary (Sir James Meston) said, when as stated by the Comptroller General, all administration was its province. In the earlier days of Indian Administration it was simple and convenient that the only service which had any definite training in administration should be in a position to take over the management of any or every important department of the public service. Those days were gone. If the Indian Civil Service was to maintain its position it could only do so by stripping off all non-essentials, and by devoting itself entirely to the promotion of order, justice and progress through the executive control of the district, and in the higher posts of general administration which were entrusted to it. It would have neither the time nor the right to interfere in the actual executive duties of side departments; and it must come to recognise that those departments would have steadily to be handed over to men who were specially recruited for their service. The Indian Civil Service had many enemies and if it meant to hold its own, it must steadily increase its efficiency in its particular line of business, and it must avoid all suspicion of place hunting or unfairness towards the other

services who were associated with it in the government of the country.

From the aspect of the Department, the case was put as follows by the Government of India to the Secretary of State: The time had arrived, they said, when it was desirable to make a change in the rules and to concede to the uncovenanted officers of the Department a greater share in its administration. In 1880 when the Department was re-organised, the non-civilian element was recruited partly from promoted subordinates and partly by other methods, which did not ensure the possession of any particular educational qualifications. In those circumstances, it was vain to expect to find in its ranks an adequate supply of officers capable to fill the higher and more responsible posts and a considerable infusion of the civilian element was necessary to the successful conduct of its business. With the change in the conditions of recruitment, persons with distinguished university careers, selected through a stringent competitive test were coming into the service. The result must be in time a marked improvement in the quality of the material from which the supervising agency could be built. In view of this change, the Government of India expressed its anxiety to admit non-civilian members to a larger share in the higher posts than they had enjoyed. Such a measure would tend to increase contentment and efficiency in the service. At the same time, it did not wish to make too sudden changes for two reasons. Firstly, there was not yet a sufficient number of competent non-civilian officers at the top of the list to whom the management of the Account offices could be safely entrusted. Secondly, depriving civilian officers of of the prospects, with which they entered the department, would nearly approach to a breach of faith.

The Government of India, with the approval of the Secretary[84] of State, decided upon the following modified arrangements in regard to reservation: Only three posts of Accountants General, with one post in Class I and three posts in Class II of the General List, would be reserved for the Indian Civil Service. The three posts of Accountants General would be one in each grade of that rank. This in effect meant maintaining a separate cadre for Civilians serving in the Indian Finance Department and threw open a sixth Accountant Generalship to a non-civilian.

In 1916,[85] the Government of India was authorised to grant a civilian officer officiating in Class I the full minimum salary of Rs. 1500 per mensem without exchange compensation allowance.

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[84] Government of India, Finance letter to the Secretary of State No. 250, dated the 19th October, 1912 and Secretary of States letter No. 20 Financial, dated the 9th February, 1912.

[85] Secretary of States Despatch No. 11 Financial, dated the 3rd March, 1916.

The orders issued in 1920[86] after consideration of the Report of the Public Service Commission (Islington Commission) provided for the continuance of the reservation of 3 Accountant Generalships, one in Class I on Rs. 3000 and two on Rs. 2250—100—2750. Four appointments in Class I were also reserved. The posts in the General List reserved for the Indian Civil Service were intended to provide for the necessary training for the higher posts in the Department and to meet other requirements for which training in accounts was necessary. A member of the Indian Civil Service brought in for training would not count for the first year of his period of training against the four posts in the General List so reserved for the Indian Civil Service. The pay of an Indian Civil Service officer in the General List would be his pay in the time-scale of the Indian Civil Service together with a special allowance of Rs. 200 per month which would count as pay for all purposes. The senior time-scale of the Indian Civil Service might be applied to a member of the Indian Civil Service in the General List after the 8th year of service, unless for any special reason the Government of India desired in any particular case to vary the rule by restricting it or the reverse.

Section 98 of the Government of India Act, 1919 laid down that all vacancies happening in any of the offices specified or referred to in the Third Schedule to the Act should be filled by the members of the Indian Civil Service. The Schedule specified, "Three offices of Accountants General".

In 1931, among the several measures contemplated to combat the financial depression was the elimination[87] of reservations for the Indian Civil Service in the Indian Audit Department. The Secretary of State sanctioned in 1932 the ultimate removal of the statutory obligation to employ Indian Civil Service officers in the Audit Department and the replacement of the 4 Class I non-statutory posts as they became vacant by transfer or absorption, by Class II posts held by officers of the Indian Audit and Accounts Service.

In an earlier section, mention has been made of the formation in 1935 of the Finance and Commerce Department Pool Cadre with the approval of the Secretary of State and the reservation of one post of Deputy Comptroller and Auditor General of India, one post of Accountant General Class I, two posts of Accountants General Class II, and 3 posts in the General List of the Indian Audit and Accounts Service, for officers on that cadre. These posts were at long last encadred[88] in the Indian Audit and Accounts Service in 1956,

[86] Government of India, Finance Department, Resolution No. 1270 FE, dated the 4th August, 1920.

[87] Government of India, Finance Department No. F. 67-I-Ex. I/30/1, dated the 27th October, 1932.

[88] Government of India, Ministry of Finance, Department of Economic Affairs No. F. 1(1)—Admn. II/56, dated the 27th January, 1956.

thus bringing to an end the history of reservation in the cadre of the Service of posts tenable by officers of other services or Cadres.

British Element in the Service

Prior to 1871, the Service comprised covenanted civilians, persons appointed by nomination, pure and simple, of outsiders and promoted subordinates. The civilians were all Europeans. In the second category a limited number of recruits had been sent out from England.

In 1865, the Government of India proposed[89] to the Secretary of State that the Europeans of the Civil Account Department should be recruited in England. The Secretary of State (Sir Charles Wood) replied that he considered it preferable that these appointments should be made in India but added that, in the event of the Government of India failing at any time to procure the services of any suitable persons in India, Her Majesty's Government would be prepared to take measures for supplying the deficiency from England.

In 1871, for the first time, a system of competitive examination in India among nominated candidates, three candidates being nominated for each vacancy, was introduced. At every third examination, the nominees used to be Indians of unmixed descent. In March 1887, the position was that the Comptroller General and all the Accountants General were non-domiciled Europeans and in the different classes of Enrolled Officers totalling in all 38, the composition was as follows :

Non-domiciled Europeans	23
Domiciled Europeans	8
Eurasians	3
Indians	4
	38

Of the 4 probationers 2 were non-domiciled Europeans and 2 were Indians.

The Public Service Commission of 1886-87 recommended that the indigenous agency should be more largely introduced into the Enrolled List and that open competition should take the place of competition after nomination. Their recommendation regarding promotion of subordinates has been dealt with under a separate heading. The Government of India

[89] Government of India Despatch No. 55 Financial, dated the 20th March, 1865 and Secretary of States Despatch No. 141, dated the 16th June, 1865.

in issuing orders[90] on the various recommendations adhered to the system of appointment of probationers selected by competitive examination of nominated candidates, not less than three being nominated for each vacancy but the rule regarding the nominees at every third examination was modified by the substitution of "Statutory Natives of India" for Indians of unmixed descent. As promotion of subordinates up to one third of the vacancies excluding those for civilians was provided for and they would be ordinarily Indians of unmixed descent, though some of them might be of European or mixed parentage, it was thought that this would sufficiently give effect to the Commission's recommendation for introducing more largely the indigenous agency into the Enrolled List.

In 1896, an important change was proposed[91] by the Government of India in the method of recruitment of Europeans to the Services. The practice observed by the Government of India in making appointments to the Enrolled List after examination was that names of applicants were entered in a register, and as vacancies occurred, nominations were made from among the list of candidates and a competitive examination was held in India of the selected few. This system did not result in obtaining for the Enrolled List candidates of as good a class as the pay ought to secure. As the mere chance of a nomination gave very indefinite prospects, the good candidates—especially those educated in England—were often found to have accepted other openings before their turn came. The result of the system was that most of the European candidates who had been born and to a great extent brought up had recently been appointed to the Enrolled List in India. These came to the examination straight from school while candidates of European birth and education were placed under a great disadvantage by the conditions of the examination. The candidates as a class were not up to the standard which, considering the prospects the Enrolled List offered, Government had a right to expect. Since other services were being very largely recruited from England, the Government of India was afraid that the Finance Department would lose its position among the services, if it continued to be so exclusively recruited from Europeans of Indian birth and training. The officers appointed under the system of nomination and competition had not proved to be in any respect equal in value to those who entered the Department just before

[90] Government of India, Finance and Commerce Department Resolution No. 2157, dated the 20th May, 1891.

[91] Government of India, Despatch to the Secretary of State No. 324 Financial, dated the 4th November, 1896, Secretary of States Despatch No. 104 (Financial), dated the 17th June, 1897 and Government of India, Finance Department Resolution No. 1524, dated the 10th April, 1899.

and after 1870 by a system of direct appointment. The Government of India, therefore, suggested that in future Europeans of the Enrolled List who were under the current system appointed by competition after nomination, that is, four ninths of the whole service, exclusive of the five appointments reserved for civilians, should be selected in England by the Secretary of State. They would be allowed as probationers Rs. 300 a month instead of Rs. 200 given to those recruited in India. Five ninths of the service would continue to be recruited in India. The same method for recruitment of Europeans for the Superior Accounts Branch of the Public Works Department was suggested as similar difficulties were faced in that Department also.

The Secretary of State approved of the proposals in June 1897 and Government of India issued orders accordingly in April 1899. Promotions from subordinate rank were in practice rare and the constitution of the Enrolled List was tending to settle down into one Indian for every two Europeans. In 1907, two Mahomedans were brought in by direct nomination from the Viceroy to fill vacancies which would ordinarily have been given to European recruits and later the Secretary of State included two Hindus in the selections which he was asked to make in England. The actual numbers of Europeans, Eurasians and Indians in the service in 1909 were 28, 6 and 26 respectively totalling in all 60.

The Government of India thought[92] that the time had come to adopt a proportion of half and half between Indians and Europeans in recruitment. This was accepted by the Secretary of State in December 1909.

In 1911, the Secretary of State (Lord Crewe) addressed[93] the Government of India regarding the claims of Indian applicants who had been educated in England and some of whom had obtained distinction in British universities and others who were just outside the list of successful competitors at the Home and Indian Civil Service Examination and belonged, therefore, to the class which the Government of India desired to regard as one of the regular sources of recruitment for the Indian Finance Department. He felt himself precluded from selecting any of these candidates as selection in England went exclusively to Europeans in accordance with the undertaking given in the Secretary of States Despatch of 1909 cited earlier but he was not satisfied that by the current system of recruitment in operation their claims to recruitment received adequate consideration. In order to secure equality of opportunity between Indians educated

[92] Government of India, Finance Accounts Despatch to the Secretary of State No. 26, dated the 28th January, 1909 and Secretary of States Despatch No. 146 (Financial), dated the 17th December, 1909.

[93] Secretary of States Despatch Public No. 170, dated the 29th September, 1911.

in England and Indians recommended by local Governments he laid down the following procedure: Indian applicants would not be appointed by the Secretary of State save in very rare cases but he would send to the Government of India the applications and testimonials received from Indian candidates possessing the qualifications required by the rules in force in England. To this would be added a confidential statement giving a full account of the merits and attainments of such candidates as seemed to the Secretary of State fit subjects for nomination, which would entitle them to take part in the competitive examinations held in India, or for direct appointment. Although the Secretary of State did not desire to fetter the discretion of the Government of India, he anticipated that an entirely favourable report from him would, as a rule, secure for the candidate admission to the competitive examination. It was only on an arrangement of this sort, he said, that the rule of not making direct appointments in England could be maintained. Certain changes in the date of the competitive examination to suit such candidates were also suggested by him.

Thus at the time of appointment of the Royal Commission on the Public Services in India (Islington Commission) in 1912 the position as regards recruitment and its racial composition was summarised by the Finance Member in a memorandum intended for the information of the Commission, as follows :

The methods of recruitment were :

(1) By competitive examination of nominated candidates in India.
(2) By nomination in England by the Secretary of State.
(3) By the appointment of promoted subordinates to a loosely defined proportion of the total vacancies.

Method (1) provided for the bulk of the Indian recruits; and (2) for the European element, since the Secretary of State's nomination might be regarded as going exclusively to it, direct applications for appointment by Indians in England being usually referred by him to the Government of India, if he considered them deserving of special consideration. Under (c) both Europeans and Indians were eligible.

The Government of India had, however, reserved the right of making direct appointments in India outside the subordinate staff of the Department without competitive examination. This right had, however, been very sparingly exercised, and might be considered to be in abeyance.

Reference has been made earlier to the orders issued in 1920 after considering the recommendations in the Report of the Islington Commission. Recruitment was to be made in future ordinarily in India only, supplemented

by the enlistment of members of Indian Civil Service, and to such extent as might be found necessary from time to time but without any fixed proportion to the total recruitment to the Department, of officers recruited on special terms. It was under this provision that the first Director of Commercial Audit was recruited in England in 1924.

Thus ended the policy of having a minimum European element in the Indian Audit and Accounts Service. The attainment of Independence has sealed it off finally.

PROPORTION OF PROMOTED SUBORDINATES IN THE SERVICE

When the Financial Department of the Government of India was re-constituted in 1862[94] so as to secure a succession of officers conversant with the business of Accounts who could thoroughly carry out the objects behind the introduction of the new system of Audit and Accounts and of Budget Estimates, it was part of the scheme to recruit the Classified List in part from the office establishments. Reviewing the position in 1877 the Comptroller General in a letter to the Government of India[95] observed that had this been carried out to any extent, there was no doubt that additional value would have been given to the clerkships; but after the first year or two very few nominations of this character were in fact made and for several years there had been no selections from this class. He proposed removal of 13 of the lower offices then in the Classified List, leaving these appointments to be made by heads of offices. In the scheme of re-organisation[96] that was sanctioned in 1880, a new category of eight "Chief Clerks" and four new "Superior Ministerial Officers" were sanctioned in addition to Enrolled Officers. This is dealt with further in Section (B) of this Chapter.

Reference has been made earlier to the recommendations of the Public Service Commission 1886-87 under which one of the sources of recruitment to the Enrolled List was to be by the promotion of Chief Superintendents who had proved that they possessed capacity for the Superior Branch. When consequent upon the recommendations of that Commission the constitution of the Enrolled List was re-organised in 1891, it was laid down[97] with the

[94] Government of India, Financial Department Resolution No. 84, dated the 13th May, 1862.

[95] Comptroller General's letter No. 1711, dated the 14th March, 1877.

[96] Government of India, Financial Department, Resolution No. 3577, dated the 4th November, 1880.

[97] Secretary of States Despatch No. 60 (Financial), dated the 12th March, 1891, and Government of India, Financial and Commerce Department Resolution No. 2157, dated the 20th May, 1891.

approval of the Secretary of State (Lord Cross) that vacancies in the Enrolled List, with the exception of a limited number reserved for the Indian Civil Service should ordinarily be filled in first by competitive examination of nominated candidates in India and second by the promotion of deserving Chief Superintendents or officers who had shown that they possessed financial ability by their services in the Financial Secretariat of the Government of India or in other offices. Appointments by promotion were limited to a maximum of one third of the total number of appointments under the two methods stated above. The officers so promoted would be appointed either to Class VI, Class V, or Class IV at the discretion of Government and would, unless Government otherwise directed, take rank for future promotion above officers in lower classes previously appointed after examination. They would not be required to pass the departmental examination for probationers, unless the Government at the time of appointment directed that they should be so required.

In 1892, when two promotees were appointed to the fifth class and ranked for future promotion above two directly recruited officers of the Enrolled List in the sixth class the Secretary of State observed[98] on the appeals of the latter that the decision to introduce into the Enrolled List, Chief Superintendents and other officers who had displayed financial ability was adopted after mature consideration of the recommendation to that effect by the Public Service Commission but if it affected any officers of merit who were in the Department before it was promulgated, he saw no objection to the grant of compensation to them until in turn they obtained their promotion. Such cases, he observed, would not be numerous.

In 1903, fixed pay of Rs. 800, 600 and 400 having been fixed for Classes IV, V and VI respectively of the Enrolled List whereas the pay of a Chief Superintendent was Rs. 450—30—600, the Secretary of State approved[99] of the provision that when a Chief Superintendent was promoted to Class VI of the Enrolled List, his substantive pay should be calculated on the old scale in force prior to the 20th May, 1891 for the Enrolled List so far as may be necessary to prevent his losing by his promotion even though it might possibly result in the grant to a promoted Chief Superintendent of pay higher than that drawn by officers senior to him in the same Class of the Enrolled List.

Though the Government of India had power to promote subordinates to the extent of one third of the cadre, it informed the Secretary of State in 1909 that it would employ this power very sparingly and the vacancies filled by promotion for many years past had been much smaller than

[98] Secretary of States Despatch No. 171 (Financial), dated the 4th February, 1892.

[99] Secretary of States Despatch No. 164 (Financial), dated the 18th September, 1903.

one third.

Before the amalgamation of the Public Works Accounts Department with Civil Accounts Department from the 1st April, 1910 promotion in the former from subordinates was being regulated as follows: In 1893, when the Accounts Branch of the Public Works Department was re-organised to give effect to the recommendations of the Public Service Commission 1886-87 the promotion of deserving accountants not exceeding one third of the appointments filled in by the two methods together with by nominated candidates selected by Competitive examination and by the promotion from accountants was provided for. A third method of recruitment was by the transfer of officers from the Engineer establishment in exceptional case. The proportion was in practice much more closely worked to than in the Enrolled List.

In 1899, it was decided that the recruitment should be partly in India and partly in England, as follows :

(1) In England, by the appointment of Cooper's Hill men up to a limit of four ninths of the vacancies to be filled.
(2) In India, by promotion of deserving subordinates to the extent of three ninths of the vacancies to be filled.
(3) In India, by competitive examination of nominated candidates to the extent of two ninths of the vacancies to be filled.

In 1908, the Secretary of State for India (Lord Morley) wrote that he was not satisfied that the principle of furthering the employment of Indians in posts of responsibility had yet been applied to the fullest extent possible in this Department. A very large proportion of the three ninths vacancies assigned to promoted subordinates had gone to men of European parentage, and, apparently, as a result of the examination being below University standard and as more Europeans and Anglo-Indians than Indians had been nominated most of the two ninths examination vacancies had also gone to members of the domiciled community. The result was that only a small proportion of the appointments were held by Indians. The Government of India were opposed[100] to any reduction in the proportion of Europeans recruited from England; but, in order to carry out Lord Morley's wishes, they agreed that only one ninth of the vacancies should be used for the promotion of accountants in very exceptional cases, and that four ninths should be filled by competitive examination in India of nominated candidates who were statutory natives of India. It was proposed to substitute for

[100] Government of India, Finance Department Despatch No. 26, dated the 28th January, 1909 and Secretary of States Despatch No. 146 (Financial), dated the 17th December, 1909.

nomination by the Accountant General a system of selection by the Government of India.

These measures and the stiffening of the syllabus of the examination, were expected to ensure that the great majority of appointments filled in India should automatically go to Indians.

After the amalgamation all the vacancies[101] were to be filled by additions to the Civil Branch. The question as to the proper proportion of promoted subordinates was discussed in 1913. The Government of India held that "the theoretical rule of one third was never worked to in practice and it was a bad rule in the interests of Government". They considered that such a high proportion did not make for efficiency and that the interests of Government and the reasonable claims of subordinates both Civil and Public Works would be satisfactorily met if it was settled that an average of one sixth of the future vacancies should go to subordinates, the promotions being so regulated as to balance uneven direct annual recruitment by competition with a view to preventing promotion blocks later for such direct recruits.

The Islington Commission (1912-15) made several recommendations dealing with the Indian Finance Department. One of the recommendations was that one sixth of the vacancies arising in the superior cadre should be filled by the promotion of subordinates. The Government of India agreed[102] with the Commission that the present practice of promoting subordinates to, on the whole, one sixth of the vacancies occurring in the Indian Finance Department should be continued, since it afforded a valuable stimulus to officers of the subordinate services and enabled Government to reward good work. Promotions were to be without any discrimination of race. The small number of vacancies annually occurring in the Department would make it impossible, the Government of India observed, to observe the exact one sixth proportion on a single year's results and adherence to the rule in any given year must always depend on a subordinate, fully qualified for, and deserving of, promotion being available. The Government of India, however, thought that there should be no difficulty in working up to the proper proportion over a series of years. The Secretary of State (Mr. Montagu) approved[103] of the Government of India's recommendation in July 1919.

In 1920, the Government of India again approached the Secretary of State regarding the working of this proportion. In recent years, they said,

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[101] Secretary of States Despatch No. 27 P.W., dated the 9th July, 1909.

[102] Government of India, Finance Department Despatch to the Secretary of State No. 33, dated the 6th February, 1919 and No. 186, dated the 29th April, 1920.

[103] Secretary of States Despatch No. 49 (Financial), dated the 31st July, 1919 and No. 43 (Financial), dated the 8th July, 1920.

the number of promoted subordinates, had been relatively large. The Department was particularly in need of experienced officers. Probationers required at least two years training and as the Department's need was pressing, Government promoted three deserving subordinates. If these three officers were counted against the one sixth proportion, Government would be unable to promote any other subordinates for some years to come and this, they considered administratively undesirable. They, therefore, moved the Secretary of State for his approval to ignore the three promotions made in 1919, in applying the normal one sixth rule. They also desired to be allowed some measure of discretion in determining the number of subordinates to be promoted in any year. They would ordinarily keep in view the one sixth rule, to be worked up to over a number of years. If in any year they found it desirable in similar circumstances to depart slightly from this rule, they should be allowed to do so.

In approving the proposal of the Government of India, the Secretary of State said, "The proportion so fixed is, as you surmise, of the nature of a general standard rather than an absolute limit and I have no wish to fetter your discretion in the matter of moderate deviations from it in either direction."

Under the arrangements approved in 1919 the one sixth rule was with reference to vacancies occurring in the Finance Department, which came to be known as the Indian Audit and Accounts Service in 1922. In 1924, the Government of India proposed to the Secretary of State that the number of promoted subordinates should be fixed at one sixth of total cadre instead of at one sixth of the vacancies occurring in the service. This was approved,[104] by the Secretary of State in February 1925. In an expanding department, this meant that every vacancy caused by the exit from service of a promoted subordinate, who retired more quickly owing to their advanced age on promotion than direct recruits, plus one sixth of all new additions to the cadre had to be filled by promotees.

From the 1st April, 1931 the proportion of promoted subordinates was raised[105] from one sixth to one fifth of the total cadre. This position continues. The following observation made by the Central Pay Commission 1957-59 (Das Commission) in paragraph 2, Chapter XIII of their Report dealing with Central Class I (Non-Technical Services)

[104] Government of India, Finance Department letter No. D/3239-F.E., dated the 20th December, 1924 and Secretary of States No. F. 211/25 Financial, dated the 3rd February, 1925.

[105] Secretary of States letter S & G 2717/30, dated the 26th June, 1930.

may be of general interest:

> "A certain proportion of junior scale posts are filled by promotion from the related Class II services. The proportion varies from 20 per cent in the case of the Indian Audit and Accounts Service to 50 per cent in the Military Lands and Cantonments Service."

Some Facts of Interest about the Service Personnel

The Enrolled List of the Indian Finance Department was the first Superior Service to which recruitment was made permissible in India and the first Indian who thus entered the service was Rajani Nath Ray. The Viceroy as Chancellor of the Calcutta University heard of his distinguished academic performance and approved of his candidature. He competed with five other European nominees for two vacancies. He entered service on November 13, 1872, at the age of 22.

The first Officer not belonging to the Covenanted Civil Service to become the Comptroller and Auditor General was Edward Gay, who joined as an Assistant in the Indian Finance Department in September, 1865 and after officiating a number of times as Comptroller and Auditor General became substantive holder of that office in 1889.

The first Indian to officiate as Auditor General was G. (Sir Ganga Ram) Kaula who joined service as Assistant Examiner, Public Works Accounts on January 3, 1896 and officiated as Auditor General for about four months from September 15, 1930. He is also remembered for his revision of the Public Works Code in 1918-20.

The first Indian to hold substantively the office of Auditor General was V. Narahari Rao who took over that office on August 15, 1948. He joined the service on March 5, 1917.

Among members of the Department who rose to high positions outside the Department mention has to be made of Sir Muhammad Akbar Nazar Ali Hydari who entered the Indian Finance Department in February, 1888 when he was only 18 years of age. He rendered valuable service in the Hyderabad State as Accountant General from October 1905, as Finance Secretary from April 1908, as Home Secretary from July 1911, established the Osmania University and the Translation Bureau, and later in June 1921 became Finance Member of the State Executive Council. Finally he rose to the Prime Ministership of that State. He was member of the Governor General's Executive Council from July 1941 to January 1942.

Another distinguished member of the Department was Sir Bupendra Nath Mitra. He joined as an apprentice in the Subordinate Accounts Service

on the 2nd April, 1896 and was appointed to the Enrolled List of the Indian Finance Department from the 1st January, 1909. He became Controller of War Accounts in 1915, Military Accountant General in 1919 and Financial Adviser, Military Finance in 1920. He was a temporary member of the Governor General's Executive Council from April 1924, Acting High Commissioner for India in the United Kingdom from the 6th November to the 10th December, 1924 and again member of the Executive Council from January 1925 to the end of April 1930. He was a delegate to the Indian Round Table Conference, London from November 1930 to January 1931, and High Commissioner for India from the 1st July, 1931 to June, 1936.

Sri Chandrasekhara Venkataraman who got the Nobel Prize for Physics in 1930 and was awarded the Bharat Ratna in 1954 was born on the 7th November, 1888. He joined the Indian Finance Department in 1907 which he left in 1917, to rise to the greatest heights in the scientific world. He is National Research Professor of Physics since 1949.

Emergency Cadre of the Indian Audit and Accounts Service

After the outbreak of war in 1939 there was an increasing demand for the deputation of officers of the Indian Audit and Accounts Service to the Supply Finance and other departments connected with the war effort. The number of officers on deputation grew far in excess of the deputation reserve and the shortage in the cadre became acute. It was felt that some exceptional expedient was necessary to help out the Department in the emergency. It was considered that the best plan was to promote temporarily certain very good Assistant Accounts Officers and possibly a few outstanding Subordinate Accounts Service Superintendents, who were either overage for regular promotion to the Indian Audit and Accounts Service or who were under observation for such promotion, to a special temporary cadre till the official end of the war and not more than one year afterwards, on the analogy of a scheme sanctioned by Government in May 1940 for the Military Accounts Department. The terms and conditions of service proposed for those promoted to the temporary cadre were in effect the same as those sanctioned in the scheme for the Military Accounts Department. The creation of the cadre in Class II of the Indian Audit and Accounts Service was sanctioned[106] in March 1941, to subsist until one year after the date of the official termination of the war.

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[106] Government of India, Finance Department No. 14(S)-Ex. II/41, dated the 29th March, 1941.

The following terms were laid down :

(1) Selection to the temporary cadre would be made by the Auditor General, the Deputy Auditor General and a nominated Accountant General, from the following categories: (*a*) Assistant Accounts/Audit Officers and Subordinate Accounts Service Superintendents who were considered fit, from their records of service, for promotion to the Indian Audit and Accounts Service on these special terms ; and (*b*) recently retired officers of the Indian Audit and Accounts Service.

(2) Officers recruited to the cadre from category (*a*) above were liable to reversion to their substantive posts at any time at the discretion of the Government of India. The continuance in the cadre of those recruited from category (*b*) above was subject to their continued efficiency, mental and physical, and they were liable to reversion to the pensionary establishment at any time, at the discretion of the Government of India, on one month's notice. In any case there was no guarantee of continued re-employment beyond a period of three months after the official termination of the war to them.

(3) The scale of pay of officers in the cadre would be Rs. 600—40—1000 per mensem; and in addition whatever house rent and other compensatory allowances, were attached to the posts in the Indian Audit Department which might be held by them from time to time and were admissible to officers of the ordinary cadre of the service. If any of these officers was appointed to a post to which a special pay was attached, the amount of special pay to be drawn by him would be considered by the Government of India in each case. The total initial emoluments of a re-employed pensioner should not exceed the pay last drawn in Government service.

(4) An officer's initial pay on his appointment to the cadre would be fixed at the stage in the scale of Rs. 600—40—1000 next above his substantive pay in the parent office, subject to a minimum of Rs. 600. The periods of his service in the Emergency Cadre would also count for increments in his substantive post.

(5) If any such officer was promoted substantively to the ordinary cadre of the service, he would be transferred to that cadre from the date of such promotion, and his initial pay then would be fixed with reference to his substantive pay, after taking into account the increments earned in his parent office.

(6) The grant of leave, leave salary, travelling allowance, etc., to these

officers, while serving in the Emergency Cadre, would be regulated in accordance with the rules applicable to officers of the Indian Audit and Accounts Service.

(7) Officers of the Railway Audit Department who might be selected for the cadre would, if they were non-pensionable, continue to retain their non-pensionable status, and retain their privilege pass concessions, while employed in the adre, provided that until such selection, they had been in continuous service in the Railway Audit Branch from a date prior to the 1st January, 1934.

(8) Officers of the Emergency Cadre would not be entitled to overseas pay and passage concessions under the Superior Civil Services Rules.

(9) The conditions of service in respect of pay and pension and reversion to the pensionary establishment of retired officers would be decided on the merits of each case.

In August 1942, the field of recruitment was extended[107] to all Accountants in the Subordinate Accounts Service but the scales of pay for future appointments were reduced as follows :

Persons on old rates of pay	Rs. 500—50—600—40—1000
Persons subject to the Revised Rates of Pay	Rs. 400—25—650.

In 1944, a special concession[108] in the matter of counting for pension of the difference between the temporary pay in the Emergency Cadre and substantive pay was sanctioned with effect from the date of formation of the Emergency Cadre and covered cases of officers who had already retired from service.

In 1949, the Government of India conceded[109] that Emergency Cadre Officers holding posts in the Indian Audit Department would be automatically entitled to the same rates of special pay and addition to pay as were admissible to officers of the regular cadre of the service, without having to be considered by the Government of India in each case.

The cadre started with a sanctioned strength of 12 which was increased from time to time till it rose to 71. There was no recruitment to the cadre after 1948.

The Emergency Cadre under the terms of its constitution should have

[107] Government of India, Finance Department No. 14(8) EX-II/41, dated the 28th August, 1942.

[108] Government of India, Finance Department No. F. 13(1) R. II/44, dated the 22nd September, 1944.

[109] Government of India, Finance Department No. 925 E. III/49, dated the 16th February, 1949.

been wound up on the 31st March, 1947. But officers of the Department continued on deputation in large numbers with the resultant shortages in the regular cadre. The life of the Emergency Cadre was, therefore, extended[110] for three years from the 1st April, 1947 subject to the condition that its strength would be reduced by one for every officer, whether on the General List or the Emergency Cadre, who returned from deputation after the 1st March, 1947 in excess of the strength of the cadre of the regular service (permanent and temporary) as on that date. In view of the acute manpower situation in the Government of India created by the departure of European officers after Independence from the 15th August, 1947, and the recall to their Provinces of Indian Civil Service and other officers on a large scale not only there was no reversion of the Audit Department officers on deputation to the Government of India but there were also further demands for officers of the Department on deputation. Consequently when certain officers of the Emergency Cadre who had opted for Pakistan, were transferred to that Dominion, the Government of India permitted the filling up of the vacancies and the retention of the strength at 71, to be reduced gradually, as and when officers of the regular cadre became available so that the total number of officers serving in the Department would at no time be in excess of the sanctioned strength of the General List (permanent and temporary).

The shortages in the regular cadre continued and it naturally took time to build up the cadre by fresh recruitment, etc. It was also felt that the Emergency Cadre constituted in 1941 had done good work and should be allowed to tail off through normal retirements or promotions. Its life was extended from time to time.[111-112] The last officer on the cadre ceased to be in service towards the end of February 1961 when the cadre was extinguished.

(B) Assistant Accounts/Audit Officers

Growth of the Service

Creation of Posts of Chief Clerks

It has been stated in Section (A) that in the re-organisation of

[110] Government of India, Finance Department letter No. F. 2(12)-E. II/47, dated the 5th February, 1947.

[111] Government of India, Finance Department No. F. 2(92)-E. II/47, dated the 10th November, 1947.

[112] Government of India, Finance Department No. F. 17(49). E.O.I./60, dated the 26th November, 1960.

1880,[113] a new category of superior Ministerial officers entitled "Chief Clerks" was substituted for a corresponding number of enrolled officers and were given "Gazetted" status. They could sign letters and discharge any other duties assigned to them by the Head of their office.

Salaries and Strength

The posts which were eight in number were classified into four classes and distributed as follows:

In the office of	*Class I*	*Class II*	*Class III*	*Class IV*
The Comptroller General	1			
Accountant General ..				
Bengal ..		1		
Bombay ..		1		
Madras			1	
N.W. Province and Oudh			1	
Punjab ..			1	
Comptroller				
Central Provinces				1
British Burma ..				1
	1	2	3	2

The pay of the 8 Chief Clerks was as follows:

Class I	Rs. 600—40—800.
Class II	Rs. 500—40—700.
Class III	Rs. 400—40—600.
Class IV	Rs. 400—20—500.

The arrangement, it was considered, would promote efficiency, as the Chief Clerks would be more experienced than junior enrolled officers, and would at the same time save some expense. The appointments came to be called "Chief Superintendents" in 1883.[114]

Subsequently the appointments of Chief Superintendents in Class IV in the office of the Comptroller, Assam and in Class III in the Office of the Accountant General, Bengal were sanctioned. The appointment of an officer of a standing similar to that of a Chief Superintendent was also sanctioned

[113] Government of India, Finance Department, Resolution No. 3577, dated the 4th November, 1880.

[114] Government of India, Finance Department Resolution No. 126, dated the 12th April, 1883.

in the office of the Accountant General, Bengal on a pay of Rs. 500—20—600 for the inspection of Treasuries and outside audit work. In 1885, this post was also included in the list of Chief Superintendentships, along with a post of senior ordinary superintendent in the office of the Comptroller and Auditor General on the same scale of pay. The posts[115] were reclassified into six classes, those on Rs. 500—20—600 being ranked in Class III, existing Classes III and IV becoming Class IV and V respectively. Ordinarily Chief Superintendents were to be selected from the staff of that office in which the vacancy occurred. In other words the posts were localised.

In 1894, the whole system was reviewed. It was found that the grades of Chief Superintendents not only overlapped with each other but also with the higher grades of Superintendents which were Rs. 400—500, Rs. 400—480 and Rs. 400—460. The arrangement led to administrative inconvenience and difficulty. It had sometimes happened that promotions from Superintendentships to Chief Superintendentships or from one grade of the latter Class to another, had entailed an immediate reduction of emoluments of the officer concerned which had not been recouped for some years. The scheme of 1880 localised the appointments and drew a distinction between the larger and smaller offices, the higher rates of pay being attached to the former. It was found impossible to maintain this distinction in practice and it had been necessary in several instances to exercise a discretion reserved with the Government of India and to allot to a Chief Superintendent in one office the pay sanctioned for another office.

Even theoretically the distinction appeared unmaintainable as a Chief Superintendent in a smaller office had on the whole not less work, either as to amount, importance or responsibility than a similar officer in a larger office. There would be some administrative convenience in assigning to all Chief Superintendents a uniform rate of pay.

In fixing such a rate the following considerations entered: With the reduction in pay of the Enrolled List, under the re-organisation of 1891, and the admission to it by promotion of the best of the Chief Superintendents, the necessity of so high a maximum pay as Rs. 800 for these officers had ceased. Accordingly a scale of pay of Rs. 450—30—600 was sanctioned[116] and to avoid the inconvenience mentioned earlier due to overlap of scales, the maximum pay for superintendents in the highest scale was

[115] Government of India, Finance Department Resolution No. 1580, dated the 24th March, 1885.

[116] Government of India, Despatch to the Secretary of State No. 2 F.E., dated the 3rd January, 1894 and Secretary of State (Lord Kimberley's) Despatch No. 23 Financial, dated the 8th February, 1894.

limited to Rs. 450.

By 1907, the strength of the cadre had grown to 16. One of the reasons for proposing in 1894 a uniform and lower scale of pay for Chief Superintendents was that with the decision to admit selected Chief Superintendents into the Enrolled List, the necessity for so high a maximum pay as Rs. 800 for that grade of officers had ceased. Experience, however, showed that promotions from the rank of Chief Superintendents to the Enrolled List must be of rare occurrence. The qualities which constituted a good Chief Superintendent did not necessarily equip their possessor for the higher and more responsible duties of an Enrolled Officer. More than one of the promotions which Government had made were disappointing in their results and Government felt it clearly necessary in the interests of the Department to confine admissions to the Enrolled List to cases of Chief Superintendents of really exceptional merit and capacity. Mere seniority and approved service could not be accepted as sufficient qualifications. The prospects of Chief Superintendents as a Class, therefore, were not so good as anticipated at the time of the re-organisation of 1894. In the circumstances and in view of the arduous and responsible work which was imposed on these officers, it was considered desirable to improve their position in the matter of emoluments by the creation of a few appointments on a higher rate of pay. The pay of 4 out of the 16 appointments was raised[117] to Rs. 600—30—750 in September 1907. Chief Superintendents employed on Local Audit were in future to be designated "Inspectors of Local Accounts".

In the same year the Government of India delegated[118] to the Comptroller and Auditor General the selection of officiating Chief Superintendents in the Civil Accounts Department. Permanent promotions were, however, to continue to be submitted to Government for orders.

Similarly in order to improve the position of the Subordinate Accounts Establishment of the Public Works Department it was decided[119] in 1909 to convert 13 of the appointments of Accountants First Grade into an equal number of gazetted appointments of Chief Accountants, 3 in Class I on Rs. 600—30—750 and 10 in Class II on Rs. 450—30—600, the promotion to be based on selection.

[117] Government of India, Finance Department Despatch to the Secretary of State No. 284, dated the 1st August, 1907, Secretary of States Despatch No. 126 Financial, dated the 6th September, 1907 and Government of India letter No. 6077 E.O., dated the 3rd October, 1907.

[118] Government of India, Finance Department No. 7443 E.O., dated the 14th December, 1907.

[119] Government of India, Public Works Department No. 137-AE, dated the 16th September, 1909.

In 1912, the Government of India considered[120] that the Comptroller and Auditor General as the Head of the Department should also decide upon permanent promotions to the rank and from the lower to the higher grade in the rank. Chief Superintendents were the Warrant Officers of the Department and Government thought that there was no reason why the Secretariat should intervene. Powers were delegated accordingly including the rank of Chief Accountants which had come under the Comptroller and Auditor General after the amalgamation of the Accounts Branch of the Public Works Department with the Civil Accounts in 1910.

In 1914, it was decided that officers thereafter promoted as Chief Superintendents would be liable for general employment in India and Burma according to the exigencies of service. Chief Accountants on the Public Works list had already got this liability which was continued.

Redesignation

In connection with the amalgamation of the Accounts Branch of the Public Works Department with the Civil Accounts Department the designation to be given in the amalgamated list to Chief Accountants of the Public Works side and Chief Superintendents on the Civil was considered in 1913-14. Experience showed that officers of the Executive Departments did not pay proper attention to communications signed by Chief Superintendents and Chief Accountants, who as a Class were mistakenly supposed to be non-gazetted. As early as 1907, Chief Superintendents had submitted a memorial to the Government of India in which among other things they had asked that their designation might be altered to "Extra Assistant Comptroller/Accountant General". Mr. Barrow, then Comptroller General, did not support the request as he considered the title a clumsy one. The proposal was not sanctioned by Government. Sir Edward Baker, then Finance Minister characterised the proposed designation as a barbarism. In their discussions in 1913-14 both the Comptroller General and the Government of India were in agreement that a more honorific designation was practically desirable and that "Assistant Accounts Officer" was a suitable designation. This new designation was formally embodied in the Order issued[121] in 1917 in connection with the combined subordinate Accounts establishments for Public Works and Civil Accounts.

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[120] Government of India, Finance Department letter No. 1159 F.E., dated the 23rd February, 1912.

[121] Government of India, Finance Department Resolution No. 1318 F.E., dated the 28th November, 1917.

Those attached to Railway Audit Officers were known[122] as Assistant Audit Officers. The designation of "Assistant Accounts Officer" in the Military Test Audit and Commercial Audit Departments was changed[123] to "Assistant Audit Officer" in 1928.

Status

In 1918, it was decided[124] that Assistant Accounts Officers of the Indian Finance Department should in future be considered as non-ministerial officers for the purpose of the Civil Services Regulations. With effect from the 27th October, 1932, under rule 17 of the Civil Services (Classification, Control and Appeal) Rules, 1930, the Assistant Accounts and Audit Officers' service was included[125] in the Central Services Class II.

Revision of Pay and Growth of the Cadre

In 1919, the two scales of pay applicable to Assistant Accounts Officers, *viz.*, Rs. 450—30—600 and Rs. 600—30—750 were fused into a joint scale of Rs. 450—30—750 with the approval of the Secretary of State.

The minimum of the scale, *viz.*, Rs. 400 was fixed as long ago as 1894 and in view of the altered economic conditions the relief afforded by the fusion was considered inadequate. A joint scale of Rs. 500—30—800 was sanctioned[126] in 1920 with the approval of the Secretary of State. This was extended to Assistant Audit Officers in Railway Audit Offices.

In regard to Assistant Accounts Officers in the office of the Comptroller and Auditor General, one appointment on Rs. 600—30—750 had been reserved for that office in 1917 and this gave Rs. 150 more than the minimum pay of the other Assistant Accounts Officers. To maintain the distinction a higher scale of Rs. 650—30—800 was fixed[127] for Assistant Accounts Officers of the office of the Comptroller and Auditor General.

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[122] Government of India, Finance Department No. 733-FE, dated the 3rd June, 1914.

[123] Government of India, Finance Department Notification No. D. 2335-R. III, dated the 3rd May, 1928.

[124] Government of India, Finance Department No. 503-FE, dated the 2nd May, 1918.

[125] Government of India, Home Department No. F. 9.6.30 Estts(s), dated the 23rd November, 1932.

[126] Government of India, Finance Department No. 58-FE, dated the 14th January, 1920.

[127] Government of India, Finance Department No. 425-FE, dated the 24th March, 1920, 445-FE, dated the 27th March, 1920 and 538-FE, dated the 9th April, 1920.

The cadre went on growing and at the beginning of 1923 stood as follows:

Auditor General's office	1
Civil Account Offices (including PW)	32
Railway Audit Office	9

In July 1923, 13 appointments of Assistant Accounts Officers were created[128] in the place of General List charges to be filled up to the extent permissible by the number of vacancies in the Indian Audit and Accounts Service.

The pay of Assistant Accounts/Audit Officers was next revised from the 1st March, 1925 as follows:

Office of the Auditor General	Rs. 660—40—900
Other offices	Rs. 500—35—850.

One post of Accounts Officer, Telegraph Check Office was given a higher scale of Rs. 700—50—1000.

The Assistant Accounts Officers in the office of the Accountant General, Posts and Telegraphs were allowed a special pay of Rs. 100 per month.

In 1928, the question of the revision of pay of Assistant Accounts/Audit Officers in the offices of the Director of Commercial and Army Audit, Accountant General, Railways and Accountant General, Posts and Telegraphs was considered. The former two offices had been part of the office of the Auditor General and their Assistant Accounts Officers got the higher scale applicable to that office. After their separation from that office it was considered[129] that a uniform scale of Rs. 500—35—850 would be suitable. This scale was already applicable to the Assistant Accounts Officers in the Railways and Posts and Telegraphs Audit Offices. On the score that the work at the Headquarters of these offices was more onerous than that performed in other offices a special pay of Rs. 50 per month was sanctioned in addition. The sanction insofar as it concerned posts, the reduction of pay or special pay of which was approved, was to take effect only after the first occasion on which the incumbents of the posts were changed after the 1st July, 1928 or went on leave after the date without the intention of returning to their posts.

In 1932, the strength of the cadre had grown[130] to 73.

The pay for "Post-1931 entrants" was fixed in the Revised Rates of

[128] Government of India, Finance Department No. 1653-FE, dated the 9th July, 1923.

[129] Government of India, Finance Department D. /3629-FE, dated the 24th December, 1924 and D/3521-R. II, dated the 21st August, 1928.

[130] Government of India, Finance Department Notification No. D. 67-I Ex. I/30/II, dated the 27th October, 1932.

Pay Rules, 1933 as follows :

Assistant Accounts/Audit Officers	Rs. 400—20—600 plus a special pay of Rs. 50 for Assistant Accounts Officer under the Accountant General, Posts and Telegraphs.
Assistant Accounts Officers, office of the Auditor General in India.	Rs. 500—25—700.
Accounts Officer, Telegraph Check Office.	Rs. 500—25—700 plus a special pay of Rs. 75 for Independent Charge.

After the Varadachariar Commission, 1947 the pay of post-1931 entrants was raised and the Central Civil Services (Revision of Pay) Rules, 1947 provided as follows :

Assistant Accounts Officers in the office of the Auditor General of India.	Rs. 500—30—650—EB—30—800 plus a special pay of Rs. 100.
Assistant Accounts Officers in the Subordinate offices	Rs. 500—30—650—EB—30—800.

The Central Civil Services (Revised Pay) Rules, 1960 based on the Das Commission's Report, 1959 further revised the pay as follows :

Assistant Accounts Officer in the office of the Comptroller and Auditor General.	Rs. 590—30—830—35—900 plus a special pay of Rs. 100.
Assistant Accounts Officers in the Subordinate Offices.	Rs. 590—30—830—35—900.

The designation of Assistant Accounts Officers in the office of the Comptroller and Auditor General was changed to Administrative Officers in August 1962.

The strength of the Cadre which started with 8 in 1880 stood at 814 on the 1st October, 1965 distributed as follows :

Office of the Comptroller and Auditor General ..	11
Civil offices of Accounts & Audit	577
Commercial Audit Offices	51
P & T Audit Offices	84
Defence Audit Offices	30
Railway Audit Offices	60
IA & AS Training School	1
	814

The leave reserve for Assistant Accounts Officers is provided in the Upper Division Cadre.

RECRUITMENT

Recruitment to the grade of Assistant Accounts Officers is made ordinarily by promotion from the Subordinate Accounts Service. Promotion to 50 per cent of the vacancies since the 1st April, 1956 is made by selection of outstanding Subordinate Accounts Service Accountants irrespective of seniority and for the remaining 50 per cent on the principle of seniority-cum-fitness. The orders of the Central Government regarding reservations in recruitment to posts and services do not apply to promotions to the grade of Assistant Accounts Officers. Promotions are within the powers of the Comptroller and Auditor General, who has reserved to himself the right to make appointments otherwise than by promotion from the Subordinate Accounts Service. But such appointments have been rare.

In Class II service there is a post of Assistant Private Secretary to the Comptroller and Auditor General on a scale of Rs. 350—25—650 with a special pay of Rs. 50.

(C) The Subordinate Accounts Service

GENESIS

Towards the end of 1881 the Comptroller General sent up to the Government of India his suggestions for securing greater efficiency in the staff of ministerial officers employed in the several Civil Accounts Offices, and ensuring the promotion of only competent men to the better paid appointments in that service. They were chiefly to the following effect :

(1) All officers drawing Rs. 130 a month or more were to be separated off into a regular service called the "Subordinate Account Service" into which no person was to rise from below by mere seniority.

(2) Appointments in the service would be made by selection and merit, confidential registers being kept of the character and fitness of all members of the service.

(3) Temporary vacancies would not be filled up, the work being arranged for without promotion.

(4) The Head of the Office would have the power to limit the pay to be drawn by a person on appointment to the service, if he saw no occasion to allow at first the full amount; all appointments would be on probation for six

months and confirmation, with reasons for it, should be reported to the Comptroller General, who might, if he did not approve, disallow it. The subordinates of the office had no exclusive right to appointments in the Subordinate Accounts Service. If for sufficient reasons a person who had no appointment in the government service was appointed to the subordinate service, he would get an allowance of Rs. 100 if his appointment was to the Rs. 130—175 grade or Rs. 125 if it was to the grade of Rs. 200. The proposals were approved with the modification that the minimum salary to be drawn by any person whether holding a substantive appointment under Government, or not, who was to officiate in the two grades mentioned above should be Rs. 100 and Rs. 125 respectively. Thus started[131] the Subordinate Accounts Service in 1882. This Service is frequently referred to as the backbone of the Department.

The restriction in (3) above regarding the filling up of temporary vacancies was withdrawn[132] in 1892.

In 1896, the Government of India stressed[133] the importance of careful selection for appointment in the Subordinate Accounts Service all the more particularly as from it would be selected Chief Superintendents and in part also officers for the Enrolled List. Government thought that by confining the higher appointments too narrowly to persons who had entered in the lower grades, the very classes of Indians among whom the best and most competent officers were likely to be found, were excluded. The system of probationary appointments in the higher grades gave ample opportunity, Government said, to Accountants General of making selections from university graduates or of candidates likely to prove suitable, from educational institutions, or from other branches of service. This led to the introduction of the Subordinate Accounts Service Departmental Qualifying Examination in 1897.

Branches of the Service

The Subordinate Accounts Service was divided into three distinct branches, Ordinary, Local Audit and Currency Branches. Transfers between these branches were admissible only under the rules of appointment applicable to each branch. Local Fund Audit became a provincial subject after the 1919 Reforms and in some States was handed

[131] Government of India, Finance Department No. 800, dated the 9th January, 1892.

[132] Government of India, Finance and Commerce Department No. 1652, dated the 21st April, 1892.

[133] Government of India, Finance Expenditure No. 3534 GI, dated the 17th August, 1896.

over to the Provincial Governments, but in others continued with the Accountant General on consent basis. As stated in Chapter III currency has long since ceased to concern the Comptroller and Auditor General though he was once the Head Commissioner of Paper Currency. The Currency Branch of the Subordinate Accounts Service came to a close in 1916. But other branches of activities have sprung up.

Customs Revenue Audit came under the Comptroller and Auditor General in 1913. Audit of receipts from Union Excise, Corporation Tax and Income Tax was taken over in 1961. These have led to the establishment of the Revenue Audit Branch of the Subordinate Accounts Service.

It has been described in Chapter III how Postal and Telegraphs Accounts and Audit were amalgamated and placed under the Accountant General, Posts and Telegraphs from the 1st April, 1910. This led to the formation of the Posts and Telegraphs Branch of the Subordinate Accounts Service.

With the abolition of the office of Accountant General, Public Works, who was under the Government of India, Public Works Department, Railway Accounts and Audit were placed under the Accountant General, Railways from the 1st April, 1910. On the separation of Audit and Accounts in the Railways, the office of the Accountant General, Railways ceased to exist from the 1st April, 1929. On the audit side the Director of Railway Audit took his place. A Railway Audit Branch of the Subordinate Accounts Service therefore came into being. Rules for the examination for the Subordinate Accounts Service, Coal Accounts Branch, under the Director of Railway Audit, were issued in 1947.

In 1914, appointment to the service was made to carry with it the liability of transfer to the offices of the Comptroller and Auditor General and the Controller of Currency. In the case of a person appointed before the 3rd February, 1914, if such transfer, the terms of which would be made attractive, was refused he had to be prepared to forego further increase of pay in his local office.

In 1917, the Civil Subordinate Accounts Cadre and the Public Works Accounts Cadre were amalgamated. It was, however, recognised that it was impossible without causing hardship to individuals, immediately to effect complete amalgamation. Interim arrangements consistent with the inauguration and advance of the process of amalgamation had, therefore, to be devised. Permanent incumbents on the date of the orders were protected by the retention of the existing lists and their subsequent promotions were to be regulated entirely by those lists. The then existing Subordinate Accounts Service examination and the Second Grade Accountants test were continued for three years. The latter was held half yearly and in two parts. At the end of three

years a combined examination was to be introduced embracing both Civil and Public Works subjects. Those who qualified at the combined examination were eligible for promotion to the amalgamated list only. These special arrangements for promotion continued till 1935. During this period the All-India List of Public Works Accountants was maintained and promotions to the list made by the Auditor General. On this list promotions were by merit without reference to seniority and the Accountants had liability for transfer from one province to another according to the requirements of service.

The Audit office, Indian Stores Department, was formed in 1923 and after several vicissitudes during the World War II came back to the Comptroller and Auditor General from the 1st April, 1947 as the office of the Accountant General, Food, Relief and Supply. A Supply Audit Branch of the Subordinate Accounts Service was consequently created. From the examination for November 1947 a distinct syllabus for the Supply Accounts and Audit Branch was approved.

In 1925, the rule relating to direct appointments to the service was amplied[134] to say that such appointments should be made occasionally though on a very moderate scale, and the men so appointed should be young men with brilliant university records and whenever possible, men who had appeared for the competitive examination for admission to the Indian Audit and Accounts Service and had obtained high places on the list but not sufficiently high to obtain appointments. They would not be counted against the sanctioned strength for the first 18 months after their admission as probationers.

These probationers came in 1928 to be called apprentices in accordance with the definition in the Supplementary Rule 2(2).

The rule relating to the period of apprenticeship was amplified as follows: In the case of an apprentice who was successful at an examination held before the expiry of 18 months from the commencement of his apprenticeship, he was to remain an apprentice until the date of the next vacancy in the Subordinate Accounts Service to which vacancy he would then be appointed to fill. In other cases the period of apprenticeship was to be terminated, on the date of receipt in the offices, in which the apprentice was working, of the results of the examination for the Subordinate Accounts Service held after the expiry of 18 months from the date of commencement of apprenticeship. If the apprentice failed he would revert as a clerk or be removed from the office. If he passed he would be appointed to fill the last vacancy before the date of the results, which vacancy must have been kept

[134] Government of India, Finance Department No. D/3239-FE, dated the 7th January, 1925 and No. F/97/III/R II, dated the 5th September, 1928.

unfilled pending the receipt of the results.

The rule for recruitment was also further modified to permit transfer of men who were already in, or had qualified for promotion to the Subordinate Accounts Service of any one branch, to the Subordinate Accounts Service of another branch on probation before qualifying in the examination for that branch. Failure to pass in three chances entailed reversion.

One source of recruitment to the Subordinate Accounts Service was by promotion of persons, with superior intellectual qualifications who, though specially recruited for this service, were appointed to vacancies in the clerical service in the first instance. This arrangement is no longer operative with the general rise in the standard of educational qualifications expected of those recruited to the clerical service.

The constitution of a separate Commercial Audit Branch of the Indian Audit and Accounts Department from the 1st March, 1928 led to the institution of a Subordinate Accounts Service (Commercial) Examination and none could be confirmed in that service until he had passed the examination or been exempted from it.

Reference has been made later to the creation of a post of Director of Army Audit in 1925 and permanent adoption of the scheme for Army Audit from 1928. This resulted in the formation of the Defence Audit Branch of the Subordinate Accounts Service. In 1925, it was decided that for the time being the Military Subordinate Accounts Service examination should be accepted as the qualifying examination for the Military Test Audit Staff subject to the proviso that the candidate to be successful must obtain 60 per cent marks in the aggregate instead of 50 per cent as in the case of the Military Accounts Department.

This Department conducts its own examination now.

Thus there are the following branches of the Subordinate Accounts Service, confirmation in which is ordinarily dependent on passing the qualifying examination for the branch :

(*a*) Civil Subordinate Accounts Service.

(*i*) Ordinary Branch,

(*ii*) Local Audit Branch,

(*iii*) Revenue Audit Branch,

(*iv*) Supply Audit Branch, and

(*v*) Commercial Audit Branch.

(*b*) Subordinate Railway Audit Service.

(*c*) Posts and Telegraphs Subordinate Accounts Service.

(*d*) Subordinate Accounts Service for Defence Service Test Audit.

RECRUITMENT AND TRAINING

In 1937, it was decided that every third vacancy in the Subordinate Accounts Service could be filled by the Accountant General by selection on merit and distinctive performance without any regard to seniority. This provision was suspended in 1944 during the War in the offices from which Subordinate Accounts Service passed clerks were lent to War offices, if the Head of any War office concerned certified that there was among them one who *prima facie* should be considered for out of turn promotion. It was revived with effect from the 1st April, 1948.

The system of recruitment of apprentices for the Subordinate Accounts Services was also suspended in 1942 for the duration of the war and was revived in 1946. In 1949, as one of the several measures to strengthen the department, the Subordinate Accounts Service Cadre was raised[135] by 100 posts, and 100 in 1950 and recruitment of 50 apprentices each year was approved, leaving 50 more posts each year for promotion from Subordinate Accounts Service passed clerks.

Apprentices are put on training for a minimum period of two years. Ordinarily two chances are allowed for each part of the examination. Any one failing to clear both the parts within the prescribed period is liable to be either discharged or absorbed as an Upper Division Clerk. After passing they are put on probation for one year before confirmation.

Principles for determining seniority in the Subordinate Accounts Service between direct recruits and promotees and as between direct recruits have been laid down. Broadly, under the existing position, as among direct recruits one who completely passes the examination earlier ranks senior to one who passes at a later date irrespective of the date of recruitment or the date of passing Part I of the examination. Other things being equal, earlier year of recruitment, is given weight. For those recruited in the same year the one ranked higher at the time of recruitment or in case of bracketing the older person is deemed senior. A directly recruited person when he takes charge is ranked below the last Subordinate Accounts Service passed clerk who passed in an earlier examination and is already officiating on such date, so long as the latter continues in the post without actual reversion to his substantive post. Confirmation in the Subordinate Accounts Service from the promoted category is made on the basis of seniority alone, those proving a failure while officiating, being reverted to their substantive posts and not allowed to be superseded by a junior person in the matter of confirmation.

[135] Government of India, Finance Department No. F. 2(173)-E. II/49, dated the 20th August, 1949.

Principles for determining seniority in appointing to the Subordinate Accounts Service among persons in the promoted category who pass in the same examination, have also been laid down. In the case of directly recruited Upper Division Clerks (including those in the Selection Grade) seniority by length of Upper Division Service only is the determining factor for their claim to appointment to the Subordinate Accounts Service. In the case of those Upper Division Clerks who were promoted from the Lower Division Cadre, service as Lower Division Clerks up to six years is ignored and thereafter service in the Lower Division Cadre is counted as Upper Division Clerk service for purposes of determining seniority. Service as Divisional Accountants and Public Works Accounts Clerks is equated to service as Upper Division Clerks, in the case of directly recruited Divisional Accountants service counting only from the date they began to hold charge. In the case of Stenographers and Steno-typists, their services are equated to Upper Division Clerks or Lower Division Clerks according as they are graduates or non-graduates respectively. A permanent exemptee has his seniority fixed as though he had actually passed the examination held immediately before the date the exemption was granted.

Departmental Qualifying Examination

In 1897, a departmental examination was introduced. No person appointed direct could be confirmed and no person could be promoted from the clerical service to the Subordinate Accounts Service in either a substantive or officiating capacity who had not passed this examination. Until November 1898, Heads of offices were given discretion to promote, in exceptional cases, with the previous sanctions of the Comptroller General, members of the clerical staff even though they might not have passed the prescribed examination.

The rules promulgated in 1897 introducing the examination laid down that every person appointed direct had to appear at the first, and if he failed in the first, at the second examination also, prescribed to be held after his appointment, unless the first examination was prescribed to be held within six months of the date of his appointment, in which case, if he did not appear at that examination, he might be allowed at the second and third examination instead. Failure to pass at the second examination entailed removal from service. In the case of direct appointments the period of probation was fixed at not less than 6 months and would cease not later than the date on which the result of the second examination reached the Head of the office to which the candidate belonged.

As regards members of the clerical service, only clerks the minimum pay of whose appointments was not less than Rs. 60 could appear at the Departmental examination and only such of them as were certified by their Heads of offices to be regular in their attendance, energetic, of good moral character and business habits, to give indications of possessing aptitude for the work of a superintendent and to have a reasonable prospect of passing the examination. Only four chances were allowed to pass the examination. A graduate of an Indian university with not less than five years service might be permitted, on the special recommendation of the Head of the Office, by the Comptroller General to appear at the Departmental examination even though his pay might be less than Rs. 60 a month.

The examination was to be held annually in November for all the Account offices. There were on the ordinary Branch four papers carrying total marks of 850 as follows:

Subject	*Marks*
(1) Precis writing and letter drafting	150
(2) Civil Account Code	250
(3) Civil Service Regulations	250
(4) Civil Account System of Book Keeping	200
	850

In place of subjects (2) and (4) there were two other subjects for the Local Audit Branch. A candidate had to obtain to be successful 35 per cent of the marks in each subject and 50 per cent in the aggregate.

The examination has continued ever since though there have been several changes in the subjects, marks, number of chances, annuality, number of parts in which the examination has to be taken, conditions for eligibility to appear at the examination, arrangements for theoretical and practical training of apprentices and others before they take the examinations, incentives to pass the examination, effect of passing the examination or seniority for promotion, the number of branches for which separate examinations are held, etc.

The examination has always enjoyed a high reputation and persons who have passed it have been in great demand for deputation to other Departments. In the Department itself it has in no small measure contributed to the efficiency and prestige of audit.

From 1934, the examination came to be held in two parts and one had to pass the first part before appearing for the second. Candidates selected for the examination are given both theoretical and practical training before they

take the examination and certain minimum experience or training in Public Works Accounts before taking the examination in Part II has also been prescribed.

Till 1950, the examination was held annually but from that year up to 1957, as one of the measures to strengthen the department, examinations began to be held twice a year in May and November. A system of taking the examination in compartments with a higher minimum of marks for passing and other conditions was also introduced simultaneously. The present position regarding the periodicity of the examination is that it is held normally once a year in January for all Audit and Accounts Offices in all branches but if the Comptroller and Auditor General deems necessary the examination may be held in July also under notification.

Among the non-apprentices no one can appear for the examination unless he has put in a total service for three years, consisting of service in one or more of the following, *viz.*, (*a*) as an Upper Division Clerk, (*b*) as a Divisional Accountant, (*c*) as an Accounts Clerk in a Public Works Department (up to a limit of two years). There are maximum age limits before which a candidate should sit for the first time for the Part I examination and for his completing successfully the examination in both parts. There are also limits to the maximum number of chances in Part I. The number of marks required to secure a pass in each part is 40 per cent in each subject and 45 per cent in the aggregate, 50 per cent in Precis and Draft and 60 per cent in other subjects secures exemption from reappearing in the same subject. When a clerk passes the Subordinate Accounts Service examination his next and all future increments so long as he continues in the clerical grade are given at enhanced rates from the date following that on which the examination is passed as follows :

Normal Rate	*Enhanced Rate*
(1) Rs. 3 & 4	Rs. 10
(2) Rs. 5	Rs. 12
(3) Rs. 8 or 10	Rs. 15

There are special provisions under which a person who had passed the examination of one branch can take the examination of another branch.

SCALES OF PAY

Prior to 1907 the following scales of pay were in vogue for the Subordinate Accounts Service.

	Scales of Pay (*Rs.*)
Assistant Superintendents	130—9—175 (all other places)
	120—6—150 (CP)
	150—10—200 ,,
	120—5—145 (Madras)
	150—9—195 (Madras)
Superintendents	
Grade I	400—10—450
II	300—15—390
	300—16—380 (Madras)
III	200—10—290
	200—16—280 (Madras)

In 1907[136] the scale of Rs. 300—15—390 was changed to Rs. 300—18—390 and that of Rs. 200—10—290 to Rs. 200—18—290 so as to enable one to reach the maximum in 5 years. Some upward changes in numbers in each grade were also made.

Between 1908 and 1910 the time scales in the various offices were replaced[137-138] by a graded system of pay generally as follows (with fixed numbers in each grade):

		Pay (*Rs.*)
Assistant Superintendents		
	Grade III	150
	II	175
	I	200
Superintendents	VII	225
	VI	250
	V	275
	IV	300
	III	350
	II	400
	I	450

There were, however, some differences between Provinces. For example in Madras Assistant Superintendents were in two grades of Rs. 125 and Rs. 150. In Central Provinces the highest rate for Superintendents was Rs. 400 only. For the office of the Comptroller and Auditor General, the

[136] Secretary of States Despatch No. 70 Financial, dated the 10th May, 1907.

[137] Government of India, Finance Department No. 6291-EX, dated the 6th November, 1908.

[138] Government of India, Finance Department No. 6358-FE, dated the 6th December, 1910.

following grades were sanctioned, Assistant Superintendents 3@ Rs. 150, 3@ Rs. 200, Superintendents 2@ Rs. 300, 1@ Rs. 400, 1@ Rs. 500, 1@ Rs. 600.

In 1912, the grant of local allowance of Rs. 50 a month to each of the Superintendents in charge of the four most important sections of the Comptroller and Auditor General's office, *viz.*, Budget and Resource, Audit, Accounts and Establishment was sanctioned.[139]

In 1919, the scale for the Subordinate Accounts Service for the office of the Comptroller and Auditor General was sanctioned[140] as Rs. 200—20—360—30—600, having regard to the more arduous and responsible nature of the work done in that office as compared with the duties of the local offices and having regard also to the difference in the rates of pay already prevailing.

For the Subordinate Accounts Services of Civil and Postal Accounts and Audit offices, with effect from the 4th November, 1919, the scale of Rs. 150—20—450 with an efficiency bar at Rs. 270 was sanctioned,[141] with a local allowance ranging from Rs. 40 to 60 for the office of the Accountant General, Burma.

The next revision raised the pay of the Subordinate Accounts Service in the office of the Auditor General in 1925 to Rs. 240—20—300—30—600—50/2—650. The pay of the same service in the Civil and Posts and Telegraphs offices was revised in a way that led to a multiplicity of scales.

(1) Rs. 220—20—380—EB—20—500
(2) Rs. 200—20—360—EB—20—500
(3) Rs. 190—20—350—EB—20—450.
(4) Rs. 190—20—310—15—340—EB—15—400.
(5) Rs. 190—20—310—EB—15—400.

The Calcutta offices got the highest scale. Bihar, Delhi, Orissa, Punjab and Uttar Pradesh offices got the second scale. Assam and Madhya Pradesh offices got the third, Madras (Civil) the fourth and Madras P&T the fifth. These differences were made with a view not to embarrass provincial Governments. As early as 1908 the Government of India had taken[142] a decision that Heads of Imperial Departments when formulating proposals for revision of pay of their establishments should take account of the emoluments of establishments of similar standing and character serving under

139 Government of India, Finance Department No. 42-FE, dated the 8th May, 1912.

140 Government of India, Finance Department No. 263-FE, dated the 22nd December, 1919.

141 Government of India, Finance Department No. 58-FE, dated the 14th January, 1920.

142 Government of India, Finance Department No. 3255-EX, dated the 4th June, 1908.

the local Government in the same locality.

In 1927, there was a breeze between the Deputy Secretary, Government of India, Finance Department as Auditor of Auditor General's sanctions and the Auditor General when the latter proposed to have two separate scales for Superintendents and Assistant Superintendents in his office. Both these categories of posts had the same scale of pay. This arrangement tended to obscure the responsibility of the Superintendent for the direction of the work of the men under him and to lessen the power of his control. The Superintendents were to be put on a higher scale of pay of Rs. 480—30—750. The Assistant Superintendents were to have a slightly lower maximum and be on Rs. 240—20—360—30—600 with an efficiency bar at Rs. 420. The question turned round the interpretation of Rule 71 in the Book of Financial Powers as to whether it empowered an authority below the Government of India to revise the pay of a class of government employees. The Government of India ultimately agreed with the Auditor General's interpretation and conceded that he had the necessary powers to sanction the revision which was thereupon sanctioned by him in January 1929 with effect from the 1st June, 1928.

By the time the orders in the preceding paragraph issued, the offices of the Directors of Commercial Audit and Army Audit had been separated from that of the Auditor General. Those in these offices admitted before the 1st July, 1928 to the grade obtaining in the office of the Auditor General, *viz.*, Rs. 240—20—360—30—420—EB—30—600—50/2—650 were protected in that scale. For those admitted into the grade after that date the scale of Rs. 220—20—360—EB—30—600 was sanctioned both for Army Audit and Commercial Audit Branches.

On the decentralisation of the Customs Revenue Audit, the administrative control in matters such as pay, leave, transfer, etc., of Superintendents was vested in the Accountant General, Central Revenues. Their pay scale was fixed at Rs. 220—20—500 and they were all allowed a special pay of Rs. 50 p.m. which took into account their loss of prospects of promotion to the grade of Assistant Accounts Officers as such a post did not exist in this branch. The pay scale of post-1931 entrants was fixed at Rs. 175—15—400. In 1941, the scales of pay were revised for pre-1931 entrants to Rs. 325—25—600 and post-1931 entrants to Rs. 280—20—500. The special pay continued.

Subordinate Accounts Service Accountants in Railway Audit offices were in two grades, senior Auditors being in the scale of Rs. 300—20—500—50/5—550 and junior Auditors in Rs. 150—15—210—EB—15—270.

The pay scales of the Subordinate Accounts Service underwent a

downward revision after the economic crises 1929-30. Mention of the reduction in the Customs Audit Branch has been made earlier. The scale of pay of the Superintendents in the office of the Auditor General was reduced for post-1931 entrants to Rs. 350—20—500 and of Assistant Superintendents to Rs. 225—15—375 from Rs. 480—30—750 and Rs. 240—20—360—30—600 respectively. Deduction in other cases was effected as below :

	From	To
Subordinate Accounts Service Accountants	(*i*) 220—20—360—30 600	200—15—350—20—450
	(*ii*) 220—20—500	
	(*iii*) 200—20—500	175—15—400
	(*iv*) 190—20—450	
	(*v*) 190—20—450	150—15—375
	(*vi*) 190—20—310—15—400	
Subordinate Accounts Service Accountants Railway Audit.	Senior Auditor 300—20—500—50/5—550	250—15—400
	Junior Auditor 150—15—270	150—10—240

The new scales of pay in this as in other cases proved inadequate to meet the conditions created by the World War II. As a result of the recommendations of the First Central Pay Commission (Varadachariar Commission) the pay of the Subordinate Accounts Service was revised by the Central Civil Services (Revision of Pay) Rules, 1947 as follows :

Subordinate Accounts Service Accountants Civil and Posts and Telegraphs	Rs. 200—15—380—EB—20—500 in place of various scales.
Defence Audit and Railway Audit Department	Rs. 200—15—380—EB—20—500 plus special pay of Rs. 40 per month.
Senior Auditors	Rs. 350—15—380—20—500.
Junior Auditors ..	Rs. 200—15—350.
Subordinate Accounts Service Apprentices	Rs. 125.
Auditor General's Office	
Superintendents	Rs. 375—25—650.
Assistant Superintendents ..	Rs. 200—15—380—EB—30—500 plus special pay of Rs. 40.
Superintendents, Customs Revenue Audit Branch.	Rs. 375—25—650.

The Second Central Pay Commission (Das Commission) recommended further revision and the Central Civil Services (Revised Pay) Rules, 1960 provide as follows :

Subordinate Accounts Service Accountants (Civil, Commercial and P & T)	Rs. 270—15—435—EB—20—575
Railway Audit	Rs. 270—15—435—EB—20—575
Defence Audit	Rs. 270—15—435—EB—20—575 plus aspecial pay of Rs. 40 per month.
Comptroller and Auditor General's Office	
Superintendents	Rs. 450—25—550—30—760
Assistant Superintendents ..	Rs. 270—15—435—EB—20—575 plus a special pay of Rs. 40.

From the 1st February, 1961, Assistant Superintendents in the offices of the Comptroller and Auditor General have been sanctioned[143] a special pay at the rate of 20 per cent of their pay in the scale of Rs. 270—15—435—EB—20—575 in lieu of the special pay of Rs. 40 previously granted to them. This special pay is treated as part of the scale of pay.

Sanctioned Strength

The sanctioned strength of the Subordinate Accounts Service as on the 1st October, 1965 was 3913 distributed as follows :

Office of the Comptroller and Auditor General	92
Civil Offices of Accounts and Audit	277
Commercial Audit Offices	178
Posts and Telegraphs Accounts and Audit Offices	435
Railway Audit Offices	291
Defence Audit Offices	112
IA &AS Training School	4
Audit Office, London	21
Audit Office, Washington	6
	3913

Emergency Cadre

The World War II created a shortage of Superintendents in the Audit

[143] Government of India, Ministry of Finance No. FII (68)/Est. III/60, dated the 15th June, 1961.

Department as a large number of them had been sent on deputation to the departments most affected by the war efforts. In 1942, an Emergency Cadre of Superintendents was introduced in the offices under the Chief Controller of Supply Accounts which were expanding rapidly. A special examination rather simpler than that for the Subordinate Accounts Service and more directly connected with the actual work in Supply Accounts offices was to be held twice a year, in January and July simultaneously at New Delhi, Calcutta and Bombay where Supply Accounts offices were located. The percentage of marks required to secure a pass was 40 in each subject and 45 in the aggregate. A candidate who secured 66 per cent in a subject was exempted from appearing again in that subject at a further examination. The examination was (*i*) open to all permanent clerks of the old office of the Chief Auditor, Indian Stores Department, (*ii*) temporary clerks who had put in at least two years' service in the Supply Accounts offices, and (*iii*) permanent clerks of other Accounts Offices on deputation to Supply Accounts offices with at least six months service in the latter. Appointment to the Emergency Cadre was strictly on merits. The full recognised pay of the Subordinate Accounts Service was admissible. Those appointed to the Emergency Cadre would have no claims then or thereafter to promotion to the ordinary cadre. They would also be liable to reversion in case regular Subordinate Accounts Service qualified persons became available, when the Emergency Cadre would be eventually wound up the incumbents would revert to their Original positions. As stated in Chapter III the Supply Accounts Organisation came back to the Comptroller and Auditor General from the 1st April, 1947.

The Defence Services, Audit Branch, under the Auditor General equally felt the pressure on its Subordinate Accounts Service staff due to the War. An Fmergency Cadre of Superintendents was sanctioned for the Audit Department, Defence Services, with effect from the 1st April, 1943, to subsist until one year after the date of official termination of the War. The cadre was open to all clerks in the Audit Department, Defence Services, who had passed the Subordinate Accounts Service (Military) Examination of the Military Accounts Department by the standard of that Department which required 10 per cent less marks than the standard for the Audit Department. Appointment to the Emergency Cadre was by selection and not seniority. The scale of pay was based on that for the Military Accounts Department, *viz*., Old entrants Rs. 210—20—410—30—500 and New entrants Rs. 190—15—400; special pay, compensatory allowance, etc., were, however, admissible as for regular Accountants of the Audit Department, Defence Services. The position of those on the Emergency Cadre *vis-a-vis* regular Subordinate Accounts Service personnel was the same as in the case of similar persons

in the Supply Accounts.

As persons who had passed the Subordinate Accounts Service examination by the Military Accounts Department standard would not be sufficient to man all Superintendents' posts, sanction was also accorded to selected unpassed clerks and Divisional Accountants being posted to Superintendent's charges and allowed a special pay of Rs. 40 per month in addition to their own grade pay.

The continuance of the Emergency Cadre was sanctioned from time to time until the 31st March, 1949, when the cadre was wound up. By that time as the standard of the Subordinate Accounts Service Examination in Defence Audit Department had become practically the same as that of the Defence Accounts Department, the Emergency Cadre Superintendents were absorbed into the regular cadre.

The Supply Accounts Emergency Cadre was continued from time to time up to the 31st March, 1949. The incumbents were granted temporary exemption from passing the Subordinate Accounts Service examination for a period of two years from the 1st November, 1948. Such examinations were renewed from time to time. In 1952, the Government of India prescribed[144] a scale of pay of Rs. 200—15—380—EB—20—500 against various existing scales for the posts in the Emergency Cadre. In view of the shortage of Subordinate Accounts Service men temporary exemptions were granted in other branches as well and in a few cases permanent exemptions were also given. With the winding up of the Emergency Cadre in the Supply Accounts Branch, the position of temporary exemptees was considered no different from those similarly exempted in other branches.

Thus while the Emergency Cadre of the Indian Audit and Accounts Service was allowed to tail off by retirement, promotion to regular line, etc., that of Superintendents was treated as ceasing to exist from the 1st April, 1949. Both were make shift arrangements necessary during the war, and for some time thereafter.

(D) Divisional Accountants

Genesis

The establishment in 1860 of a separate Department for Public Works Account has been dealt with in Chapter III. In the same Notification in which the creation of posts of Controllers and Examiners of Public Works Accounts

[144] Government of India, Ministry of Finance No. F-13(35)-A/52, dated the 2nd June, 1952.

and an Inspector General of Public Works Accounts was dealt with, the formation of an Establishment of principal Subordinate Accountants for the Public Works Offices of Account was also contemplated.[145] They were to be classed in rank and salary with the Upper Subordinate establishment of the Public Works Department, Sub-Engineers, Supervisors, Assistant Supervisors and Overseers. Accountants were divided into several classes as below:

		Pay per month Rs.
Accountant	Class I	400
	Class II	300
	Class III	250
Assistant Accountant		
	Class I	200
	Class II	150
	Class III	100

Arrangement was also made to entertain in the Bengal Central Office of Account apprentices at a total cost of Rs. 600 per mensem to be trained as Accountants for supply to other offices in India. This arrangement was, however, terminated by Government[146] with effect from the 1st January, 1863 as it was understood that the experiment had not been successful chiefly due to the constant changes which were reported to have taken place among the apprentices, who had usually left the office just as they were beginning to be useful. But even had the results been otherwise, as all the offices of Account, except that of the straits settlements, had been organised, a training school, it was considered, was no longer necessary.

The first appointment and promotion of Accountants in the offices under the Governments of Bengal, the North Western Province and Punjab were made over to those Governments respectively, while the appointments and promotions of Accountants attached to the other Local Administrations were continued to be made by the Government of India. The Accountants were thus on the same general footing as the other Upper Subordinate establishments but in practice it was found necessary to delocalise them to a certain extent, because the Accounts Offices of the other Local Administrations were on too small a scale to work independently of the larger offices. It was,

[145] Government of India, Public Works Department Notification No. 278, dated the 13th November, 1860.

[146] Government of India, Public Works Department No. 4260, dated the 31st October, 1862.

therefore, decided[147] in 1863 that while first appointments and promotions of Accountants serving in the three larger provinces would continue to be made by the Local Governments, the whole Accounts Department should be considered as one and all members of it should be liable to transfer by the Government of India, as the exigencies of service might require. By first appointment was to be understood first appointment to the lowest grade in the Department, that of Accountants third class. The concurrence of the Government of India would be necessary to make a first appointment to a higher class.

In the Rules for the guidance of Controller and Examiners of Public Works Accounts issued[148] in 1861 by the Government of India, Public Works Department the position of the Accountants was indicated as follows:

> "2. The Central Office of each circle will be under an Accountant, who will act under the orders of the Superintending Engineer in all matters except those relating to the forms and modes of preparing Abstracts, and the method of keeping the Accounts; in respect of these he will be under the orders of the Controller of Accounts."

The cadre of Accountants was in four classes as below:

Accountants

First Grade	Rs. 350—20—450.
Second Grade	Rs. 250—15—340.
Third Grade	Rs. 160—10—240.
Fourth Grade	Rs. 80—7—150.

It was ruled by[149] Government in 1872 that no fourth grade Accountant would be allowed to draw any annual increment until he had passed the prescribed test in Divisional Accounts. On passing the examination in Divisional Accounts and actual posting to a Division, the salary of a Fourth Grade Accountant should be raised to Rs. 100, if it did not already amount to that sum. But on their transfer to a Controller's office, they would only in special cases, and on the express sanction of the Government of India in each case, be allowed to draw the increased rate of pay. The salary to be drawn by probationers should as a rule be limited to Rs. 60, though in exceptional cases the minimum salary of Rs. 80 might be granted. They should pass an entrance examination within a year when they would get Rs. 80.

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[147] Government of India, Public Works Department Resolution No. 53, dated the 20th January, 1863.

[148] Government of India, Public Works Department, Circular No. 75 of 1861, dated the 14th August, 1861.

[149] Government of India, Financial Department Resolution No. 3381, dated the 11th May, 1872.

TRAINING SCHOOL FOR APPRENTICES

The proposal for a training school for apprentices was revived in 1872. The failure of the earlier experiment was attributed to the narrow field of selection and the training having commenced at the wrong end, *viz.*, in a Controller's office instead of in that of an Executive Engineer. Training classes were to be held for 12 apprentices at Calcutta, Allahabad and Lahore. The apprentices were to get Rs. 20 to 35 a month which might be increased gradually to Rs. 40 and Rs. 50 a month. For training these apprentices competently, a bonus of Rs. 50 to Rs. 100 could be paid to the Accountants of the offices to which the apprentices were attached. The proposals were approved[150] in 1873 as an experimental measure for one year and confirmed in the succeeding year.

ENTRANCE EXAMINATION

In 1884, the standard of the examination prescribed for appointment as Accountants, Fourth Grade, was raised.[151] The examination was in future to be annual. It would be conducted by the Principal of the Thomason College, Roorkee, at the end of November and by the Principal of the Civil Engineering College, Howrah on the first Monday in June. The subjects were Arithmetic, Book-Keeping, Mensuration, Writing and Dictation. The first examination under this arrangement was held by the Principal, Thomason College, Roorkee in November 1884 and by the Principal, Civil Engineering College, Howrah in June 1885.

QUALIFICATIONS AND STATUS

In 1889, the Commitee on Public Works Accounts in its report had the following recommendations relating to Accountants:

> "395. Divisional Accountants: The Committee is of opinion that it is necessary to have in the office of every Executive Engineer who compiles his own accounts a properly trained Accountant. No one should be entrusted with this duty who has not passed the necessary educational tests and also test in book-keeping, and who has not had at least two years' experience in accounts in an Executive Engineer's office or under

[150] Government of India, Financial Department No. 480, dated the 27th January, 1873.

[151] Government of India, Public Works Department No. 42 A.E., dated the 13th March, 1884.

a sub-divisional officer.

"396. Head of the Office Establishment: The Committee thinks that, as a rule, the Accountant should be treated as the head of the Executive Engineer's Office Establishment. Where there is a separate and independent head clerk there is often much friction and interruption to business. The man entrusted with the accounts needs a complete grasp of the business of the division, and he should be in a position to distribute the work in the office to the clerical establishment.

"397. The Committee is of opinion that the definition of the duties of the Accountant and of his relation to the Executive Engineer contained in Code I, III, 143 to 146 and II, XIII, 7, is suitable. Some light verbal modifications are required to make the subject quite clear.

"398. Special arrangements sometimes necessary: The Committee recommends that special circumstances should be recognised as calling for exceptional arrangements, *e.g.*, when the construction of a large original work embracing special difficulties is undertaken, an Accountant of a senior grade, or even a Gazetted Officer of the Accounts Branch with special powers, might be posted to relieve the Executive Engineer of much of his office work."

The Government of India accepted[152] the recommendations of the committee that no person should be appointed Accountant of a Division until his qualifications had been proved in the manner indicated. As regards the principle advocated with respect to the Accountant being treated as the head of the Executive Engineer's office establishment, Government considered it correct and important and said that it should be carried out as far as possible. In fact this position has continued ever since. The Examiner was required invariably, to obtain the concurrence of the Superintending Engineer before transferring a Divisional Accountant. This rule held good for nearly three decades but in 1918 this requirement was modified.[153] Instead of obtaining the concurrence of the Superintending Engineer, the Accountants General and Comptroller were instructed to endeavour to meet the wishes of Superintending Engineers in this matter as far as possible.

Training of Apprentices

In 1893, scheme of training Apprentice Accountants was reconsidered.

[152] Government of India, Public Works Department Resolution No. 21 A Genl., dated the 23rd October, 1889 with Circular No. 14 Public Works.

[153] Government of India, Finance Department No. 169 FE, dated the 11th February, 1918.

The Scheme, it was stated, was expensive and ineffectual. Apprentices had used it as a mere stepping stone to other and more lucrative employment outside the Accounts Branch. It was decided[154] that, except in Bombay and Burma, Accountants should be recruited from qualified clerks trained in the office of the Executive Engineer and Examiners of Public Works Accounts. A certain number of posts in the clerical establishment should be reserved for men who had passed the examination for admittance to the Engineer class of the Thomason College, Roorkee and who were likely to qualify for accountantship and were willing to accept general service. The minimum limit of posts so reserved should be about four per cent of the number of Accountants employed in the Province. They should be given training in the Divisions and in the Examiner's office.

In 1909, it was represented to Government that the orders of 1893 were generally interpreted in practice as almost entirely precluding the appointment of Accountants otherwise than from the ranks of Accounts Clerk and that this interpretation had a detrimental effect on the service by limiting the supply of younger and better educated class of men who were best fitted to qualify for and fill the higher grades of subordinate accounts establishment. The Accountant General proposed as a remedy that greater freedom might be permitted in making first appointments to the fourth grade of Accountants subject to due regard being paid to the interests of qualified accounts clerks (especially of those already in the service) to whom the bulk of appointments should still be given. This was approved by Government.[155]

Delegation of Powers

In 1909, taking into account the recommendations of the Decentralisation Commission, it was decided[156] that in future promotion to the first and second grades of Accountants would be made by the Accountant General, Public Works Department and that appointments to the fourth grade and promotion to the third grade by the Examiners of Accounts in Provinces or on Railways, where there were local lists and by the Accountant General in other cases.

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[154] Government of India, Public Works Department Resolution No. 129 A.E., dated the 1st June, 1893.

[155] Government of India, Public Works Department No. 14 A.E., dated the 23rd September, 1909.

[156] Government of India, Public Works Department No. 144 A.E., dated the 5th October, 1909.

Decentralisation of Public Works Accounts

The abolition of the office of the Accountant General, Public Works Department and the transfer of responsibility for Public Works Accounts to the Comptroller General in 1910, have been dealt with at length in Chapter III.

In 1912, the Government sanctioned[157] the maintenance of a single list for all Railway Accountants and withdrew the powers granted to Examiners in regard to appointment of Accountants to the fourth grade and promotion to the third grade and vested them in the Accountant General, Railways. When the Government of India issued[158] orders in 1917 on the amalgamation of the cadres of the Subordinate Public Works and Civil Accounts establishments first and second grade Accountants of the then existing Public Works Establishment and Superintendents in the Civil side were styled "Senior Accountants". In all provinces except Bengal, Bihar and Orissa and Assam a provincial Divisional Accountants cadre, comprising all the third and fourth grade Accountants serving in the province, was constituted with effect from the 28th November, 1917. In those three provinces the cadre was formed from the 1st April, 1912. The existing classification and grading of the establishments under the control of the Examiner of Accounts, Military Works Services, was retained. The first and second grade Accountants allotted to the Military Works Service and borne on the all-India list of Accountants were, when that list ceased to exist, formed into a separate local scale and promotions to that scale were made by the Examiner from among the third and fourth grade Accountants in the Military Works Establishments. The existing second grade test was continued as the examination qualifying for promotion to the second grade of Accountants. Military Works Accounts were taken over by the Military Accountant General with effect from the 1st April, 1920.[159]

The Divisional Accountants in the provincial cadres could sit for the second grade Accountants examination in the next three years after which the list was to be closed. Thereafter they could sit for the amalgamated Subordinate Accounts Service examination and obtain advancement.

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[157] Government of India, Finance Department No. 416-F.E., dated the 26th July, 1912.

[158] Government of India, Finance Department Resolution No. 1318-F.B., dated the 28th November, 1917.

[159] Government of India, Finance Department No. 283-A, dated the 3rd May, 1920.

Revision of Pay

The scales of pay of Accountants were revised[160-161] with effect from the 1st April, 1920. The 12 first grade and 29 second grade Accountants on the all-India list were amalgamated on a time-scale of Rs. 270—20—450, being designated "Senior Accountants". Divisional Accountants under the control of the Accountants General were amalgamated in one grade on a time-scale of Rs. 80—10—250—20/5—270. There were at the time 302 posts in all in this category (81 on Rs. 160—10—240 and 221 on Rs. 80—7—150). The same revised scale had been sanctioned a little earlier by the Secretary of State to Railway Accountants. The Divisional Accountants in charge of Divisional office were to be granted a duty allowance of Rs. 20 a month instead of, as till then the higher minimum of Rs. 100. This allowance would be reduced to Rs. 10 on their attaining to Rs. 140 on the new time-scale and extinguished altogether when the Rs. 150 stage was reached.

The next revision of pay of Divisional Accountants took place[162] with effect from the 1st March, 1925. The revised scale of Rs. 100—10—270—30/5—300 applied to all Provinces except Burma and Bengal. For Burma, a consolidated scale of Rs. 150—25/2—200—10—300—25/3—350 including compensatory allowance was sanctioned. For Bengal, the scale was Rs. 100—10—250—20/5—270. Divisional Accountants in Assam were not to draw Assam Allowance in addition to the revised scale of pay.

After the economic crisis 1929-30, the pay of post-1931 entrants was reduced to Rs. 80—8—200—25/5—225. After the First Central Pay Commission, the pay was raised in 1947 to Rs. 100 during probation and Rs. 130—10—250—EB—15—355 thereafter. For Senior Divisional Accountants in the Posts and Telegraphs Audit Department the pay since 1925 had been Rs. 220—20—380 (Bombay and Calcutta) and Rs. 200—20—360 (Punjab). It was reduced for post-1931 entrants to Rs. 175—15—295 and again raised to Rs. 200—15—380 in 1947.[163] After the Second Pay Commission, Divisional Accountants[164] have, since the 1st July, 1959, a scale of Rs. 180—10—290—EB—15—440 with a selection grade of Rs. 325—15—475. Posts and Telegraphs Senior Divisional Accountants are

[160] Secretary of State Tel. of the 9th March, 1920.

[161] Government of India, Finance Department letter No. 1309 F.E., dated the 7th August, 1920.

[162] Government of India, Finance Department No. F/7 II F.E., dated the 17th December, 1925.

[163] Central Civil Services (Revision of Pay) Rules, 1947.

[164] Central Civil Services (Revised Pay) Rules, 1960.

on Rs. 270—15—435.

Changes in Recruitment Examination

In 1938, in view of complaints that the Divisional Accountants Cadre was not up to the mark and the examination conducted by the Bengal College of Engineering, Sibpur, Howrah was of little value for the purpose of choosing Divisional Accountants, the whole question of the method of recruitment to the cadre was reconsidered. In 1940, it was decided that the initial recruitment examination should be held by the Accountants General once a year. The examination would be competitive and open to Public Works Department Accounts Clerks, Upper Division Clerks in the Audit office and direct recruits with a university degree at least in the Second Division except that in the case of minority communities a bare degree might be admitted. An age limit of 24 for direct recruits and 30 for others was laid down for appearing at the examination. The number of chances was limited normally to two. Subordinate Accounts Service passed clerks were exempted from the test. Different periods of probation were laid down for direct recruits and others. Direct recruitment was ordinarily limited to one third of the vacancies. A Divisional Test examination had to be passed before the end of the period of probation.

Divisional Accountants in Posts and Telegraphs

Prior to 1920, the accounts of the P. & T. Engineering Divisions were compiled and submitted by Accounts clerks who were not trained Accountants. Under this arrangement, the accounts of the Divisions were not satisfactorily maintained and a need for improvement was keenly felt. Consequently a system of examination for the selection of Divisional Accountants was introduced. The successful candidates were given training in the Telegraphs Audit Office which existed at that time and they were required to pass another examination in the Audit office before appointment as Divisional Accountants. The administrative control of these Accountants, however, continued to vest in the Executive. After sometime it was found that the Divisional Accountants appointed even under this scheme could not bring about any material improvement in the Accounts of the Engineering Divisions. The cadre of Divisional Accountants under the control of the Accountant General, Posts and Telegraphs, was introduced in the P. & T. Department from July 1926 and the duties and responsibilities of these Accountants were prescribed on the lines of their compeers in the P.W.D.

The question of the transfer of Divisional Accountants to the control of the Director General of Posts and Telegraphs was considered in 1938 when a new cadre was being formed designated "the Posts and Telegraphs Accountants Service" under the Director General for the purpose of dealing with the different classes of work of a financial and accounts nature in the offices of the Director General, in Circle Offices and in the Central Telephone Revenue Accounting Offices and in the office of the Accounts Officer, Telegraph Stores and Workshops. It was then decided[165] to continue under the Accountant General, the Divisional Accountants cadre for service in Engineering offices. Provision was, however, made for exchanges between the two cadres for the purpose of getting training and experience. The Divisional Accountants cadre is still under the Accountant General.

Transfer of the Cadre to the Administration

In 1953, the question of administrative control over the cadre of Divisional Accountants was reconsidered. The cadre was intended to provide one trained Accountant to each Public Works Division or other independent Executive charge and one for each of certain appointments in the Audit office. He worked in a three fold capacity, as Accountant, as Financial Assistant and as Primary Auditor. Reference has been made in Chapter III to several measures adopted by the Auditor General after Independence to revitalise and strengthen the Department and to get rid of work not properly pertaining to it. He was of the view that the arrangement which existed in every State of India, except Mysore, under which the Accountant General was in charge of the cadre of Divisional Accountants and posted them to various Divisions was an anachronism like many others which had been inherited from the past. The Audit Department did not provide Accountants for District Treasuries in this manner. The Government of Madras was itself providing Accountants for its Highways Department. There was a flagrant inconsistency, he thought, in the theory of the Divisional Accountant being an official assisting the Divisional Engineer to discharge his responsibilities and being also a primary auditor on behalf of the Accountant General. The Accountant who was a comparatively low paid official could not be expected to serve two masters. With the growth of expenditure allround and the need for Accountants of various kinds in all the spending departments, it was high time, he said, for the State Governments to pay

[165] Government of India, Department of Communications, Posts and Telegraphs No. ESA-224-31-Estt.I, dated the 12th May, 1938.

attention to the setting up of cadres of Internal Financial and Accounts Officers and Accountants and Accounts Clerks and train them for the efficient maintenance of initial accounts and their supervision and control. A policy of transferring to State Governments responsibility for the maintenance of the cadre of Divisional Accountants was adopted and the matter taken up with State Governments. The few Divisional Accountants in the Audit office were to be replaced by Subordinate Accounts Service men.

The Government of Orissa was the first to take over the cadre and did it from the 1st April, 1954. Punjab and Himachal Pradesh next followed from the 15th June, 1954, Hyderabad from the 16th August, 1954, Assam from the 1st May, 1954, Manipur and Tripura from the 1st and 12th May, 1954, Vindhya Pradesh from the 1st February, 1955, and Kerala from the 1st March, 1956.

The re-organisation of States brought some changes in the arrangements detailed above. There was also rethinking under the next Comptroller and Auditor General. In some cases where the State Governments were inclined to retransfer the cadre to the Accountant General, it was accepted. The present position is as below :

Cadre with the Accountant General

1. Andhra Pradesh (Highways cadre from the 1st April, 1962 and Telangana Region cadre from the 1st April, 1957.)
2. Bihar
3. Central Public Works Department
4. Gujarat
5. Madhya Pradesh
6. Madras (including Pondicherry)
7. Maharashtra (including Goa)
8. Posts and Telegraphs
9. Rajasthan
10. Uttar Pradesh
11. West Bengal.

Cadre Retransferred to Accountant General

1. Orissa (1st February, 1962)
2. Punjab (including Himachal Pradesh) (1st April, 1962)

CADRE WITH STATE GOVERNMENT

1. Assam
2. Jammu & Kashmir
3. Kerala
4. Mysore

The Accountant General, Assam and Nagaland controls postings of Divisional Accountants to Manipur, Tripura, Nagaland and the Centrally Administered Areas of NEFA.

(E) Clerical and Class IV Staff

CLERICAL STAFF

The Clerical staff in the Department comprises Upper Division Clerks, Cashiers, Assistant Cashiers, Lower Division Clerks (including Typists, Machinists and Comptometer Operators) and Stenographers. In the Posts and Telegraphs Accounts offices there are Sorters in addition to these categories.

Rules for admission to subordinate situations in the Department of Accounts and Audit were first laid down in December, 1864 in Government of India, Financial Departmental Resolution No. 458. There have been so many changes since then in methods of recruitments, prescribed qualifications, scales of pay, etc., only the very broad features can be dealt with here. Initial recruitment in the Audit offices is generally made in an officiating capacity against vacancies caused by the absence of the permanent staff on deputation, foreign service or on leave (in excess of leave reserve) or by temporary sanctions, and permanent appointments are made from those earlier appointed in officiating capacity, as and when permanent vacancies occur. The recruitments are made locally by the Accountants General and it was only for a short period in 1945 when, on the introduction of unified scales of pay and centralised recruitment for all Central Government offices from the 22nd July, 1945, recruitment was made through the Federal Public Service Commission. On the cessation of the War with Japan, the Federal Public Service Commission decided not to hold further examinations for temporary appointments for A & B grade clerks and the old system of local recruitment was thereupon revived. Educational qualifications have been laid down by the Comptroller and Auditor General for posts of Upper Division Clerks, Stenographers and Lower Division Clerks. A Selection Board is constituted under the orders of the Accountants General to recommend to him the

order in which candidates for each grade should be appointed.

There used to be different scales of pay in different Audit offices based on local conditions. The variations were considerable as between the Civil Accounts offices. Defence Test Audit and to a lesser extent in the case of the Railway Audit, pay scales could be said to have been uniform.

The First Central Pay Commission in 1947 brought pay scales in all Central Government offices into certain standardised patterns and recommended uniform scales of pay for similar posts in various Audit offices within that pattern. The Second Pay Commission in 1959 did likewise. The scales of pay applicable to the various categories of clerical posts are now as follows:

	Scales of Pay (*Rs.*)
Upper Division Clerk (Selection grade) ..	210—10—290—15—320—EB—15—380.
Upper Division Clerk ..	130—5—160—8—200—EB—8—256—EB—8—280—10—300.
Cashier ..	Scale of pay as UDC or Selection Grade Clerks plus a special pay based on amount of cash handled.
Assistant Cashier ..	Scale of pay as UDC/LDC.
Lower Division Clerks and Typists, Telephone Operator	110—3—131—4—155—EB—4—175——180.
Sorter ..	(*i*) 125—5—131—4—155 Selection Grade. (*ii*) 100—3—130.
Senior Gestetnor Operator ..	110—3—131—4—139.
Stenographers (CAG's office)	210—10—270—15—300—EB—15—450—EB—20—530.
Stenographers (other offices)	(1) 210—10—290—15—320—EB—15—425. (2) 130—5—160—8—200—EB—8—256—EB—8—280—10—300.

The Selection Grade in the Upper Division is limited to 10 per cent of the strength of the cadre. Promotion is based on merit-cum-seniority and is ordinarily confined to persons who have completed 10 years of service.

To be eligible for confirmation in the Upper Division all clerks are required to pass a departmental examination after they have rendered one year's service. A maximum number of four chances is allowed to pass the examination. The passing of the examination entitles a clerk to a higher initial pay of Rs. 150 per month from the day following the last day of the

examination or on completion of one year's service in the Upper Division if that is later.

Upper Division Clerks posted as Assistant Superintendents get a special pay of Rs. 15 p.m. and if holding charge of Subordinate Accounts Service posts Rs. 40 p.m. In 1932, Accountants General were empowered by the Government of India to grant special pay not exceeding Rs. 30 p.m. to a clerk serving under them, who had not passed the Subordinate Accounts Service examination, for holding charge of a section in the absence of a qualified person. The incentive given to UDC by way of enhanced increment on passing the Subordinate Accounts Service examination has been mentioned in section (C).

A certain number of posts in the Upper Division clerical grade are filled by promotion from the lower division on the basis of merit. Confirmation, however, depends on passing the departmental test within two years.

Great emphasis is now laid on training the UDC and there are Training Accountants in every office to initiate the new recruits into the intricacies of audit and accounting.

For a long time the opinion was held that while clerical work in the Posts and Telegraphs Audit office lent itself to division into Upper and Lower categories, work in Civil Audit offices could not be so divided. Then a scheme of routine clerks on Rs. $\frac{40—5/2—100}{40—2—60—3—90}$ was introduced. The then Auditor General, Sir Ernest Burdon laid it down that routine clerks should not be entrusted with any audit process whatsoever. In March 1940, a scheme of replacing routine clerks by record clerks on Rs. 30—1—50/25—1—45/40—2—80 (Bombay) was promulgated. But in December 1940, instructions were issued not to implement the scheme until further orders. From the 1st March, 1941 a new cadre of Lower Division Clerks for record, routine and miscellaneous duties was introduced. A previous absolute ban on promotion from the Lower to the Upper Division was withdrawn. The Subordinate Accounts Service examination was thrown open to a limited extent to Lower Division Clerks who had completed six years' service and on their successfully negotiating Part I of that examination they were to become eligible for promotion to the Upper grade in the earliest vacancy. The scale of pay applicable to the Lower Division clerical grade has been indicated earlier.

CLASS IV STAFF

The Class IV Staff comprise Record Sorters in certain offices, Daftries,

Jamadars, Peons, Darwan/Sepoy/Chowkidar, Farash, Waterman, Fireman and Mali. The standard scale of Rs. 80—1—85—2—95—EB—3—100 is applicable to the first category and Rs. 75—1—85—EB—2—95 to the second and third categories and Rs. 70—1—80—EB—1—85 to the remaining categories. It will be interesting to note that in 1864 the rate of pay for regular peons at Simla was Rs. 5 p.m. and for temporary peons recruited seasonally for the Secretariat Offices at Simla Rs. 5.1/2 p.m.

The conditions of service of Class IV staff used to provide less liberal terms in regard to leave, pension and travel'ing allowance but after independence the rules have been brought on par in these respects with other subordinate staff retaining, however, their special concessions in relation to liveries and washing. Subject to any orders issued by the Comptroller and Auditor General or the Central Government in consultation with the Comptroller and Auditor General, Accountants General are competent to recruit men at their discretion for their Class IV establishment.

(F) Qualifications of a Good Auditor

It may be fitting to close this Chapter with the views expressed by distinguished persons as to the essential qualities of a good Auditor.

The observations of the President of India in this connection have been quoted in Chapter I. The pith of it is contained in the sentence "Do not shrink from truth for fear of offending men in high places".

In a speech delivered on the 28th October, 1961, the Comptroller and Auditor General Shri A.K. Roy observed as follows:

> "The task that the Audit Department has to perform requires not only a high degree of technical skill but it requires that its members should be inspired by a high sense of duty and possess disciplined minds capable of sustained effort and concentrated attention in analysing complicated financial transactions."

Members of the Department should "show human sympathy while dealing with personal claims of Government employees", and "as far as it lies in their power, not cause avoidable hardships".

The previous Auditor General, Shri Asok Chanda was against members of the Audit Department assuming self-righteous airs. He observed "it is basically and internally wrong to imagine that earnestness, honesty and integrity are the special attributes of Finance and Audit Organisations alone. It is the individuals that matter irrespective of the organisation to which they belong."

He was also against the growth of service complexes, and advocated

procedures that would increase an officer's touch with reality, widen his horizon and add to his technical equipment.

Sir P. R. Rau, a distinguished member of the service, in his *Report on the Control of Expenditure and the Prevention of Irregularities on Indian Railways* submitted to Government in 1930, had the following words of advice to Auditors particularly concerning their reports:

> "I should like, if I may, to add a few words of advice to auditors concerning their reports, and I hope I shall not be misunderstood if I do so. Everyone must recognise that the position of an auditor whose duties make him a professional censor is most difficult. His daily duty is the unpleasant one of picking out defects in other people's work and his concern is with the few things that go wrong and not the many that are done right. Apart from the unpopularity that a zealous discharge of his duties may bring him, he is exposed to another danger: he is particularly liable to fall a victim to the deadly sin of self-righteousness. As Sir George Rainy said in his address to the Indian Railway Conference Association in October last, "if you spend your life not in doing things yourself but in criticising what is done by other people, it is the hardest thing imaginable to preserve one's balance and to remember how much easier it is to criticise than to construct."
>
> "I would commend to everyone who has to write an audit report the following wise words of Newman:
>
> > "He is never mean or little in his disputes, never takes unfair advantage, never mistakes personalities or sharp sayings for arguments, or insinuates evil which he dare not say out....If he engages in controversies of any kind, his disciplined intellect preserves him from the blundering discourtesy of better, though less educated, minds, who, like blunt weapons, tear and hack instead of cutting clean, who mistake the point in argument, waste their strength on trifles, misconceive their adversary, and leave the question more involved than they find it. He may be right or wrong in his opinion but he is too clear-headed to be unjust. He is simple as he is forcible, and as brief as he is decisive."
>
> "I would emphasise the importance of stating the case in the clearest language possible not only without fear or favour but without animus of any kind, and of refraining from imputing motives as far as may be. Strong language never strengthens a good case though it might attract more attention in the press. Finally, the heading of a paragraph is as important as, if not more important than, the paragraph itself, and should be carefully worded. A large number of people, it can justly be

complained by railway administrations, read only the heading and make up their minds on the rights and wrongs of the case entirely on a perusal of it. Among other matters of detail, though of primary importance, I would add that the report should, in giving the facts of the transactions, mention dates in every case, and that if it refers to only one individual case care should be taken to avoid anything that might lead to the impression that it is an instance of a type of irregularities that have been discovered."

PART IV

Functions and Powers

CHAPTER XIII

ACCOUNTING IN INDIA

The accounting problems in a modern government are very complex mostly because the accounts prepared must serve several purposes at the same time. The accounts must show a true picture of government operations and its financial condition in the most meaningful fashion. Only then can be the executive and legislative branches of government formulate fiscal policies properly, or the general public have adequate standards for judging the financial conduct of government. A good accounting system must also help in establishing the accountability of the spending officers. It must assist in bringing out non-compliance with budgetary and legal provisions in Appropriation or other Acts. These factors influence the information required to be thrown up by the accounts and create complexities which are increased where there is a federal form of government. The accounting duties require proper training and skill. In India there is the further peculiarity of an independent audit department having also a good amount of accounting duties and powers connected therewith (*vide* also Chapter XVIII). Somewhat less than half of the immense establishment of the Comptroller and Auditor General is devoted to accounting. Appropriation Accounts because of their special importance are dealt with in a Chapter by themselves (*see* Chapter XV).

Duties and Powers of the Comptroller and Auditor General in Relation to Accounts

Prior to the 1919 Reforms

Prior to 1858, the system of audit and accounts was wanting in cohesion. Each Presidency had its own system, and its own staff, and in the absence of uniformity of classification in the accounts prepared in each Presidency, there was no proper system in India for compiling the general accounts of India as a whole. Mention has been made in Chapter II of the formation from the 1st May, 1858 of a General Department of Account and its re-organisation,[1] in 1862 under which the Accountant General to the Government

[1] Government of India, Financial Department Resolution No. 82, dated the 13th May, 1862.

of India, who was also since 1860 the Auditor General of India, became the Head of the Department of Accounts and Audit. He was subordinate to the Financial Secretary who was the Head of the Financial Department which included the Department of Accounts and Audit. The Auditor and Accountant General of the Government of India was "charged with the important duty of bringing the accounts of the Empire together", and "for the correct performance of the mechanical duties of Account and Audit as distinguished from administrative matters" which came within the province of the Financial Secretary.

In 1865, when on the recommendations of the British Commissioners of Inquiry a new system of Accounts was introduced[2] and a monthly, in place of an annual, consolidation of the accounts of receipts and charges of India was provided for, the Comptroller General of Accounts was given charge of the duties of "The Central Office of Account". Accountants General of the several Presidencies and Provinces had to submit monthly accounts to the Central Office of Account within four weeks after the expiry of each month. The accounts of Treasuries as lay at a great distance from Headquarters and were habitually late in their arrival were to be treated as accounts of the subsequent month except in the last month of the financial year when a little longer time could be allowed. The Central Office of Account was to incorporate these monthly accounts as well as those of the Military and Public Works Departments in Imperial Books which would show the Revenues and Charges of India, as well as of each Presidency and Province. From these Books would be prepared the Annual Finance and Revenue Accounts for submission to Parliament.

The Comptroller General was authorised to deal on his own authority with all ordinary questions relating to Indian Accounts, such as the classification of receipts and payments, the processes of recording them, the mode of closing subsidiary heads of account and the like, his decisions on these points, when they established a general rule, being simply communicated to the Financial Department. But questions affecting any two of the three Departments, Civil, Military and Public Works, or affecting the degree of control by the Supreme and local Governments were to be referred to the Government of India for settlement or if any points of this character, affecting one Department only was settled in accordance with the report of the Comptroller General of Accounts, by an order of Government in the Department concerned, the report and decision were to be communicated to the Financial Department.

[2] Government of India, Financial Department Resolution No. 2778, dated the 6th October, 1865.

In 1868, the Government of India issued[3] instructions to all local Governments and Administrations that in order to preserve uniformity of practice in the Account Department which was so essential to a proper compilation and comparison of the Accounts and Finances of the whole empire, the general instructions which might be laid down from time to time by the Government of India must be strictly observed. Any representation that local Governments and Administrations might have to offer would meet with full consideration. But until the concurrence of the Government of India had been obtained, its instructions must be strictly observed. This concern for uniformity in accounts in the whole of India underlies all the subsequent political reforms and was being constantly impressed by the Government of India on all local Governments. Thus in 1871, while stressing the necessity of strict scrutiny of the accounts of expenditure on Public Works from Provincial Funds, the Government of India observed[4] as follows:

> "...The Government of India has been satisfied by the experience of the past that increased, and not relaxed, attention is needed in dealing with the outlay of public money, and that it is a manifest duty of the central controlling authority to see that the local Governments adopt a thoroughly sound system of account and audit in all their local and provincial transactions, and that there will be no advantage whatever in permitting each Government to adopt its own forms and systems, excepting in respect to mere details, but on the contrary, much inconvenience and very great danger of the entire abandonment of a uniform system and the regularity which it compels."

Postal Accounts came under the Comptroller General in 1889, when the Comptroller, Post Office who was formerly under the Director General of the Post Office of India, was placed in the same relationship to the Comptroller General as the Civil Accountants General and Comptrollers. Telegraph Accounts were from the 1st May, 1870 to the 31st March, 1910 under the Accountant General, Public Works Department through the Controller (Compiler prior to 1872) of Telegraph Accounts. From the 1st April, 1910 both Postal and Telegraph Accounts were amalgamated and placed under the Accountant General, Posts and Telegraphs.

Public Works Accounts including Railway Accounts were under the Accountant General, Public Works who was subordinate to the Government of India in the Public Works Department. His post was abolished and a

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[3] Government of India, Financial Department Resolution No. 154, dated the 12th August, 1868.

[4] Government of India, Financial Department Resolution No. 2061, dated the 6th April, 1871.

post of Accountant General, Railways created from the 1st April, 1910. The latter took over Railway Accounts. The Civil Accountants General were from the same date to incorporate in their books, Public Works revenue and expenditure and audit them.

The position of the Auditor General in relation to Defence Accounts has been described in detail in Chapter III. Though the Military Accountant General (known by various designations at various times) kept books as enabled him to consolidate the Accounts of Military Controllers, the position was recognised that the Comptroller General should be the Chief Authority in all matters affecting the mode of keeping the public accounts, including those of military and other spending departments. He was solely responsible for the General Finance Accounts. Even when the authority responsible for maintaining account was not administratively subordinate to the Comptroller General as in the case of the Military Accountant General or the Accountant General, Public Works Department till the 1st April, 1910, in all matters of account they were deemed to be in immediate subordination to him and in respect of form of accounts and for their proper preparation and for their punctual rendering they had the same relation to him that the Civil Accountants General had.

The Accountant General, India Office, was directly under the Secretary of State.

When in 1914, the status and salary of the Comptroller and Auditor General was improved, his relationship with Government in regard to audit and accounts was stated by the Government of India in its despatch[5] to the Secretary of State in the following words:

> "...the Comptroller and Auditor General will now, in the capacity of an Audit Officer, be an independent authority. As an officer of Account, the Comptroller and Auditor General remains an officer of the Government of India, and it will be his duty, as hitherto, to give the utmost possible assistance, in this direction."

Thus at the time of introduction of the Montford Reforms of 1919, the Comptroller and Auditor General of India was a combined Audit and Accounts officer except for the Military Accounts Department and for Home Accounts. He exercised his powers in relation to Audit and Accounts by executive orders. Separation of Railway Accounts and statutory recognition for his duties and powers came later. The position regarding separation of Audit and Accounts is dealt with in Chapter XVIII.

[5] Government of India, Finance Department Despatch to the Secretary of State No. 210 of 1914, dated the 25th June, 1914.

Under the Reforms of 1919

The Auditor General's Rules[6] made under Section 96D(1) of the Government of India Act, 1919, which came into force from the 4th January, 1921 gave for the first time statutory recognition to the duties and powers of the Auditor General and laid them down as regards accounts as follows:

"18. The Auditor General shall compile the Finance and Revenue Accounts of India in such form as may from time to time be prescribed by the Secretary of State in Council and shall send them to the Governor-General in Council for transmission to the Secretary of State in Council. He may call upon any Government officer to furnish any information in such form as may be required for the completion of these accounts.

"19. The Auditor General shall have power to prescribe the forms in which accounts shall be kept in audit offices: provided that no change which will affect the form of the Finance and Revenue Accounts shall be made without the previous sanction of the Secretary of State in Council.

"20. If a doubt or a dispute arises as to the major head under which a particular minor head, or as to the minor head under which a particular detailed head should be included, it shall be decided by the Auditor General.

"21. The Auditor General shall prepare in each year a review of the balances in the books maintained by the audit departments and shall send it to the Governor General in Council for submission to the Secretary of State in Council.

"22. The Auditor General shall have power to determine the form in which officers rendering accounts to the Indian Audit Department shall render such accounts and in which the initial accounts from which the accounts so rendered are compiled or on which they are based are maintained.

"23. The Auditor General shall supply, or shall arrange that officers subordinate to him supply, any information required by the Governor General in Council or by a Local Government which can be derived from the accounts maintained in the offices under his control.

"24. The Auditor General shall arrange that such assistance as may be required shall be rendered by the officers of the Indian Audit Department to the Governor General in Council, the Local Governments and other authorities in the preparation of their annual budget estimates."

In a subsequent amendment in 1922, Rule 19 was amplified as below

[6] India Office Despatch No. 3 Financial, dated the 5th January, 1921.

to save petty references to the Secretary of State:

"Minor changes of detail, such as the opening of new minor heads, alterations affecting minor or detailed heads, and the like, are not changes 'affecting the form of the Finance and Revenue Accounts' within the meaning of this rule."

Another change by inserting a new rule was made in 1926 "to meet the changed position created by the handing over to the Financial Adviser, Military Finance, of the responsibility for maintenance of Military Accounts in India". As this was further changed in 1928, only the latter amendment (new Rule 25) is quoted below. Its import in relation to Appropriation Accounts is dealt with in Chapter XV.

"25. If in any case the Secretary of State in Council has declared that the maintenance of the provincial accounts of a specified province or of the accounts of any department of the Central Government is transferred to an authority (hereinafter referred to as the said authority) other than the Auditor General, the duties and powers of the Auditor General in relation to the accounts of such province or department shall be governed by the following provisions, namely:

(1) The officers and establishments employed upon the maintenance of such accounts shall not be subordinate to the Auditor General, but the Auditor General shall be responsible for the inclusion of the accounts in the Finance and Revenue Accounts of India and shall have power to prescribe the form in which and the time or times at which the accounts shall be submitted to him for audit and for such inclusion;

(2) The appropriation accounts referred to in sub-rule (1) of Rule 15 shall be prepared by the said authority in such form as he may, with the concurrence of the Auditor General, determine, and shall be transmitted by such date as the Auditor General may prescribe, to the officer of the Indian Audit Department to whom the Auditor General has entrusted the duty of reporting thereon. The Auditor General shall thereafter obtain and dispose of the Appropriation accounts and of the report thereon of the aforesaid officer of the Indian Audit Department in accordance with the provisions of Rule 15; and

(3) The Auditor General shall exercise the powers and perform the duties conferred and imposed upon him by Rule 20 and Rule 21, but shall not be bound by the provisions of Rule 23 or Rule 24."

The inclusion in the rule of a reference to provincial accounts was intended to cover the experimental separation of Audit and Accounts in the United Provinces and elsewhere (*see* Chapter XVIII).

Section 26 of the Act laid it upon the Secretary of State to lay the Annual Accounts of India before Parliament in May every year for the financial year preceding that last completed.

Under the Government of India Act, 1935

Section 168 of the Government of India Act, 1935 and paragraphs 11, 12, 13, 16 and 17 of the Government of India (Audit and Accounts) Order, 1936 made by His Majesty in Council on the 18th December, 1936 under Section 166 thereof made more explicit the extent of the statutory responsibility of the Auditor General for the maintenance of Accounts and made up for the deficiency in this regard in the Auditor General's rules and defined his powers in relation to Accounts. They are reproduced below:

Section 168 of the Government of India Act, 1935: "168. The accounts of the Federation shall be kept in such form as the Auditor General of India may, with the approval of the Governor-General, prescribe and, insofar as the Auditor-General of India may, with the like approval, give any directions with regard to the methods or principles in accordance with which any accounts of Provinces ought to be kept, it shall be the duty of every Provincial Government to cause accounts to be kept accordingly."

Audit and Accounts Order, 1936: "11 (1) Subject to the provisions of this paragraph, the Auditor General shall be responsible for the keeping of the accounts of the Dominion and of each Province, other than accounts of the Dominion relating to defence or railways and accounts relating to transactions in the United Kingdom.

(2) As respects accounts of the Dominion, the Governor General, and as respects accounts of a Province, the Governor, may after consultation with the Auditor General, make provision by rules for relieving the Auditor General from responsibility for the keeping of the accounts of any particular service or department.

(3) The Governor General may after consultation with the Auditor General make provision by rules relieving the Auditor General from responsibility for keeping accounts of any particular class or character.

(4) The Auditor General shall, from the accounts kept by him and by the other persons responsible for keeping public accounts, prepare in each year accounts (including in the case of accounts kept by him, appropriation accounts) showing the annual receipts and disbursements for the purposes of the Dominion and each Province, distinguished under the respective heads thereof and shall submit those accounts to the

Dominion Government or, as the case may be, to the Government of the Province on such dates as he may, with the concurrence of the Government concerned, determine.

(5) Notwithstanding anything in this paragraph the Auditor General shall comply with any general or special orders of the Governor General or, as the case may be, a Governor as to the head of account under which any specified transaction or transactions of any specified class is, or are, to be included.

In issuing any such order as aforesaid the Governor General or Governor shall consult the Auditor General.

12. It shall be the duty of the Auditor General to prepare annually, in such form as he with the concurrence of the Governor General may determine, and to submit to the Governor General a General Financial Statement incorporating a summary of the accounts of the Dominion and of all the Provinces for the last preceding year and particulars of their balances and outstanding liabilities, and containing such other information as to their financial position as the Governor General may direct to be included in the statement.

* * *

15. It shall be the duty of the Auditor General, so far as the accounts for the keeping of which he is responsible enable him so to do, to give to the Dominion Government and to the Government of every Province such information as they may from time to time require, and such assistance in the preparation of their annual financial statements as they may reasonably ask for.

16. The Dominion and every Province shall—

* * *

(*ii*) give to him such information as he may require for the preparation of any account or report which it is his duty to prepare.

17. The Auditor General shall have authority to inspect any office of Accounts which is under the control of the Dominion or of a Province, including Treasuries and such offices responsible for the keeping of initial or subsidiary accounts as submit accounts to him."

It will be noticed from the above that the position of the Auditor General *vis-a-vis* the Executive in relation to Accounts underwent some changes after the reforms of 1935. As under those reforms the revenues of India were

vested in the Federal and Provincial Governments and no longer in the Secretary of State in Council, the Annual Accounts of the Federation and Provinces and the Auditor General's reports thereon had to go to those Governments and the Legislatures in India instead of to the Secretary of State in Council. As a corollary while under the 1919 reforms the form of the Finance and Revenue Accounts of India except, in minor details were prescribed by the Secretary of State, under the 1935 reforms it was no longer for the Secretary of State to do so. The Joint Committee of Parliament in its report on Indian Constitutional Reform, while providing for the Provinces to take over their own Accounts or Audit as well as Accounts on giving three years' notice, after Provincial autonomy had been established for at least two years, observed, whether a Province took over Accounts or not it was essential that there should be established a uniform general form of Accounts for the Federation and for all British India Provinces. It was accordingly provided in Section 168 of 1935 Act that the form of Accounts was to be prescribed by the Auditor General of India with the approval of the Governor General and that Provincial Governments were bound by that form and by any direction given by the Auditor General of India with like approval with regard to methods or principles in accordance with which the Accounts of Provinces ought to be kept. The contingency of a Province having its own Auditor General does not arise under the Constitution of 1950 and Art. 150 thereof therefore has simply provided as follows:

"150. The Accounts of the Union and States shall be kept in such form as the Comptroller and Auditor General of India may, with the approval of the President prescribe."

The Auditor General's Rules of 1921 provided that if a doubt or dispute arose as to the major head under which a particular minor head or as to the minor head under which a particular detailed head should be included, it should be decided by the Auditor General. The Audit and Accounts Order of 1936, however, made it obligatory on the Auditor General to comply with any general or special orders of the Governor General or the Governor as to the head of account under which any specified transaction or transactions of any specified class should be included. Doubts were expressed by the Auditor General even before the latter rule was made whether such a power to the Governor of the Province would not conflict with Section 168 of the Act, as no powers had been conferred upon the Governor of a Province in relation to the principles of accounts. The Government apparently thought otherwise. The India Office had earlier given the reasons for the proposed changes as follows:

"No doubt is felt here that in the last resort the decision as to the head

under which a transaction is to be brought must rest with the Executive. (For example, it is Government which has the right to decide whether a particular charge of a debatable kind is to be treated as Civil or Military, or whether the expenditure on the rebuilding of Quetta is to be charged to a revenue or a capital head). In the ordinary run of business the Auditor General (through his staff) will no doubt have to classify transactions but he does this in his accounting capacity on behalf of Government and must do it subject to their instructions, if any. The Auditor General in his auditorial capacity, has, of course every right to criticise any such instruction received by him in his accounting capacity."

The issue regarding the validity of the Governor giving instructions to the Auditor General in the matter of classification of any specified transaction or class of transactions was closed with the observations by the Government of India, Finance Department that it had been accepted that the final authority to say where a piece of expenditure should be booked was the Government. The Auditor General was at liberty to criticise the validity of such classification. In that term was included a classification (*a*) inconsistent with appropriation or (*b*) which rendered the accounts an improper representation of the facts or (*c*) which was contrary to unmistakable principles of classification. This last was delicate ground.

Under Art. 150 of the Constitution opinion has been expressed by the Attorney General that it is not permissible for the Governor of a State to give directions to the Comptroller and Auditor General as to the head of account under which a specified transaction or transactions of a specified class should be included.

Another corollary of Art. 150 briefly alluded to in Chapter I is that neither the Public Accounts Committee nor Parliament can effect any changes in the form of accounts. Under this Article it is the Comptroller and Auditor General, who can, with the approval of the President prescribe Heads of Account and issue instructions regarding classification of transactions in the Accounts. Replying in the Lok Sabha on the 4th December, 1952 to a question, the Minister for Revenue and Expenditure (Shri Mahavir Tyagi) stated as follows:

"According to the Constitution, it is only on the advice of the Comptroller and Auditor General that any change can be effected.

* * *

"The system of keeping accounts is one which is controlled by the Constitution itself. Neither the Public Accounts Committee nor this Parliament can effect any changes unless the Constitution is changed."

The Public Accounts Committee also considered the implications of Art. 150 in connection with certain changes made by the Ministry of Railways in the financial and accounting structure of the Railways and in their Fifth Report (1952-53) observed that any changes in the structure of the accounts should have been made only in consultation with the Comptroller and Auditor General and expressed the hope that such lapses would not occur in future. The Ministry of Railways accepted this recommendation of the Public Accounts Committee.

INITIAL ACCOUNTS

As stated earlier, paragraph 11(3) of the Audit and Accounts Order, 1936 empowered the Governor General after consultation with the Auditor General to make provision by rules relieving the Auditor General from responsibility for keeping accounts of any particular class or character. In drafting this provision, it had been assumed that when once the general form, in which the general accounts of the Federation and the Provinces would be maintained, had been settled with the approval of the Governor General under Section 168 of the 1935 Act, the Auditor General would be left free to determine the form in which the initial accounts in the Treasuries and departmental offices and the accounts rendered to Audit offices were compiled, so as to make them conform to the form of the general accounts. The Initial and Subsidiary Accounts Rules were accordingly issued by the Governor General, after consultation with the Auditor General and came into force from the 1st April, 1937. They only confirmed statutorily a position that was already existing. The main portions of these rules are reproduced below:

"3. The Auditor General of India from the date these rules come into force shall be relieved from the responsibility for keeping accounts of the undermentioned class or character:

(*a*) Initial Accounts required to be kept in Treasuries;

(*b*) Initial and Subsidiary Accounts that may be required to be kept in any office or department of the Federation, or, as the case may be, of any Province;

(*c*) Accounts of stores and stock that may be required to be kept in any office or department of the Federation or of a Province by order of the Governor General or of the Governor of the Province; and

(*d*) Trading, Manufacturing and Profit and Loss Accounts and balance sheets and any other subsidiary accounts that may be required to be kept by order of the Governor General or of the Governor of a

Province in any Department of the Federation or of the Province.

"4. Nothing contained in Rule 3 shall be construed as derogating from the authority of the Auditor General of India:

(*a*) to require any Treasury, office or department keeping initial or subsidiary accounts to render accounts of such transactions as are included in them to the audit and accounts offices under his control on such date as he may determine; or

(*b*) to prescribe the form in which such accounts shall be rendered and in which the initial accounts, from which the accounts so rendered are compiled or on which they are based shall be kept."

Thus the primary record of money transactions is kept in Treasuries and departmental offices. Accounts of Stores and Stock as well as any trading, manufacturing and profit and loss accounts and balance sheets and other subsidiary accounts are all kept in departmental offices. It would have been manifestly impossible for the Auditor General to keep all the accounts of the Dominion and the Provinces and the Initial and Subsidiary Accounts Rules were intended to afford him the necessary relief. The position continues even after coming into force of the Constitution of 1950.

Similarly paragraph 11(2) of the Audit and Accounts Order provided the necessary cover to the "Separation of Audit and Accounts" where it already existed (Defence, Railways and Home Accounts) and for its extension to other services or departments in the future. More of this will be found in Chapter XVIII.

Directions of the Auditor General Relating to Accounts

The directions issued by the Comptroller and Auditor General with the approval of the President by virtue of the provisions of Art. 150 of the Constitution and by the Comptroller and Auditor General under his own authority under the Initial and Subsidiary Accounts Rules or under para 11(1) of the Audit and Accounts Order as adapted by the India (Provisional Constitution) Order, 1947 read with Art. 149 of the Constitution in regard to the technical processes of compilation of accounts, are contained in the Account Code and certain other codes and Manuals details of which are contained in Chapter XX.

Fundamental Features of Financial Administration of India and the Evolution of the Accounting System

The accounting system of a country is largely governed by its

administrative system. Thus it is necessary to state in very broad outline the system of financial administration prevalent from time to time for a proper understanding of the evolution of its accounting system.

The Period of the East India Company

By about 1750, the East India Company had territories around Calcutta, Bombay and Madras. These were called Presidencies. These were independent of one another and subordinate only to the Board of Directors in England. The accounting system followed the then administrative pattern so that each Presidency had a separate account, which was rendered to the Board of Directors in England.

In 1773, the Regulating Act was passed by the British Parliament. This raised the status of the Governor of Bengal to that of Governor General and gave him a general control over the Governors of Madras and Bombay. The administrative change was the beginning of a unified system of Central Government in India and of unified budget and accounting for the whole country brought about by the latter half of the nineteenth century.

By 1810, the most important account books kept in each Presidency were the General Books, which were in the form of a journal recording the transactions day by day. A statement of Receipts and Disbursements was abstracted from these and sent to England where the Company's Auditor of Indian Accounts consolidated them into accounts for the whole of India. The two accounts prepared were the Accounts of the Revenue and Charges and the Accounts of the Debts and Assets of the Company.

The East India Company was a trading concern and its accounts were kept on a commercial system with a profit and loss account for each department. It also valued its assets and liabilities but in doing this brought into account such assets as the Government House in Calcutta and Fort William, on the basis of the charges incurred when these were built. The question of liquidating the Company's assets by the sale of the Government House or Fort William could, of course, never actually arise. Curious as the practice may seem in public accounts, the Company's dual role as a trading and governing body was responsible for this. The accounts of the East India Company were divided into Territorial Accounts and Commercial Accounts. The Territorial Accounts were concerned with the normal governmental revenue and expenditure and could be regarded as pertaining to the political branch of the Company's operations.

On the 22nd April, 1834, the Charter of the East India Company expired. One condition of its renewal was that the Company was not to have

any more trading operations. This brought repurcussions in the form of accounts, pushing the commercial accounts out of existence and leaving only the territorial accounts. This is reflected in the Annual Review of Accounts for 1834, which could be roughly compared to the present Combined Finance and Revenue Accounts. This document lists the following statements:

(1) Account of Revenue and Charges of the Bengal Presidency.
(2) Account of Cash Transactions for the Bengal Presidency. Accounts similar to the ones above were also kept for Bombay and Madras.
(3) Charges at St. Helena.
(4) Charges defrayed in England.
(5) General Abstract Review of Revenue and Charges for India.
(6) Combined Account for Cash Transactions in India.
(7) Account of Public Debts bearing interest.

The Charter Act of 1833 vested the superintendence, direction and control of the whole civil and military administration and revenue of the provinces and subordinate governments in the Governor General of India in Council. The Act of 1853 continued the Centre's control.

1858-1869

With the taking over of the Government of India by the Crown in 1858, financial control got vested in the Secretary of State for India. A series of financial reforms followed to assimilate the Indian system to the British as far as possible. Mr. James Wilson took charge of the Government of India, Financial Department in 1860. Reference has been made in Chapter III to the Report of the Audit and Budget Committee (1860) and the Report of the British Commissioners of Enquiry into Indian Accounts, upon the constitution and the mode of conducting the business of the Financial Department and of the offices of Audit and Account attached to that Department (1864), the introduction of a proper[7] budget and Account system and the re-organisation of the Accounts Department in 1862 and 1865.

The fundamental changes of system proposed by the Commissioners have been indicated earlier but for facility are given below:

(1) The preparation of the Finance Accounts from audited receipts and charges, as recorded in the books.

(2) The separation of Cash from Store Accounts and of the accounts of the Civil Department, from those of the Military and Public Works Departments.

[7] Government of India, Financial Department Resolution No. 2189, dated the 20th April, 1865.

(3) The consolidation of these separate Cash Accounts by a central office, into a General Account for India.

(4) The abolition of pre-audit, and the amalgamation of the offices of Deputy Auditor and Accountant General, and Civil Pay Master.

(5) Unclassified Treasury Accounts.

With the appointment of an Accountant General, Public Works Department, the Public Works Accounts were separated[8] from the Civil Books of the Local Governments and Administrations in which Public Works Accounts had previously been incorporated. Similarly the Military Books were separated[9] from the Civil in the three Presidencies of Madras, Bombay and Bengal from the commencement of 1864-65.

The constitution of a Central Office of Account has been referred to earlier in this chapter and abolition of pre-audit in Chapter III.

The work of Treasuries was simplified by requiring from them accounts unclassified as to charge and classified, by simpler methods than before, as to receipts of revenue and in some other cases where receipts and payments of one class were very numerous. Bombay and Madras preferred to continue classified Treasury Account. Certain reductions of work were effected in the work of the Accountants General which compensated for the new work of classifying charges paid by the Treasuries.

The position of these Treasuries *vis-a-vis* the Accountant General in the financial system in those early years was as follows: The revenues were collected and held in local Civil Treasuries throughout the country, under the supervision of the Accountant General in each province, acting under the general direction of the Comptroller General. It was their duty to provide for the payments at those Treasuries, and to move the money from one to another as required. The funds were not, as in England, remitted to one great central banking account, nor were the disbursements of the Military, Civil, Public Works or other services met from one central source, but they were supplied from the Civil Treasuries.

The revenue officers who supervised the local Treasuries were, in matters of account, in direct subordination to the Accountants General of the provinces in which the Treasuries were situated. A Treasury officer could not make any payment unauthorised by the codes, unless under an express order to himself from the Government, and he must at once enforce any order from the Accountant General disallowing a payment. The Treasury Officer was

[8] Government of India, Financial Department Resolution No. 1326, dated the 19th July, 1864.

[9] Government of India, Financial Department Resolution No. 4118, dated the 31st December, 1864.

responsible when making payments without pre-audit by the Accountant General for checking any palpable errors and in case of change of office or of the rate of salary of Gazetted officers for passing the new rate with due reference to the orders directing the change. He was also responsible to see that there was a proper voucher for each payment.

Funds were supplied to the Public Works Department by means of letters of credit issued by the Accountant General on the local Treasuries, showing the limit up to which the officers named therein might draw cheques. The Treasury Officer was to settle with the executive engineer monthly.

Funds were placed at the disposal of military disbursing officers by annual assignment estimates in their favour, issued to Treasury Officers by the local Accountant General on the application of the Controller of Military Accounts.

Payments were to be made by Treasury Officers against these assignments, provided that the disbursements did not exceed the amount for which provision had been made up to that period in the annual estimate.

In case of emergency, military disbursing officers in need of funds could obtain an additional credit on a Civil Treasury on the authority of a Station or District order. In time of war a civil officer might be directed to incur expenditure for the Military Department in procuring or collecting baggage animals, or supplies, or in other ways; he should at once report to the Controller of Military Accounts the best estimate he could form of the amount he would expend, and the probable time during which his payments would be made, thus forming a check on the complete estimate furnished to the Military Department by the authority requiring the supplies.

Before the Officer Commanding the station gave an order for such extra funds, he must satisfy himself of the propriety of the advance for which application was made. The disbursement ordered was at once reported to the head of the department concerned, and to the Controller of Military Accounts by the officer authorising the advance, as well as by the officer receiving the money.

Each local Accountant General received from the various Treasuries in his province accounts of their receipts once, and issues twice a month, which he classified and recorded; he also received in the middle of the month a statement of the balance in the Treasury. An abstract of the Treasury accounts was sent, by post or telegraph, on the second of each month to the Accountant General, who had to test it by the balances, and telegraph the totals to the Comptroller General by the 8th of the month. On the 15th of each month the Accountant General telegraphed to the Comptroller General the revenue and expenditure of the past month under the chief heads, the net monthly issues to the Military Department and the Public Works

Revenues and Expenditure, under various main heads.

The years 1865 and 1866 were occupied in consolidating the system of account introduced on the recommendations of the English Commissioners and in applying remedies to certain defects in the public accounts, the existence of which had long been known to the officers charged with the duty of keeping the accounts, but which the more rigid new system brought more prominently into notice. Reviewing in 1867 the result of the recent reforms, the Comptroller General felt very satisfied for the following reasons:

The old system had outlived the circumstances in which it had originated. It was based on the commercial system of book-keeping, its main aim being the determination of the true profit and loss of the Government in the commercial sense. Expenditure on buildings and even on roads was treated as capital invested, and appeared on the Books as an asset of the Government, a procedure which appears quite inapplicable to the public accounts of a great country. The inconvenience attending this arrangement led to the establishment of a system of separate semi-independent accounts known as the "Actuals" or the "Receipts and Disbursements"; these accounts were intended to represent the Revenue of the year and the charges against Revenue, and were presented to Parliament as the Indian Finance Accounts.

It may easily be believed that the double system of accounts was objectionable; the Parliamentary accounts, though put together with care and skill, might give a very incorrect view of the year's Revenue and Expenditure, for the check against inaccuracy supplied by a balanced set of Books was wanting.

The Books were ultimately balanced provincially, that is, the Books of each Government by itself, but the results were brought out into a shape so entirely different from the Receipts and Disbursements that comparison was impracticable.

The Books under this system, though forming the ultimate record of the monetary transactions of the Government, were valueless for most financial purposes, and the fact that they were practically of so little value led naturally to their being comparatively neglected until they were in some provinces as much as two or three years in arrears.

The reforms of the English Commissioners were directed to the important object of getting rid of the double system of account, and to the simplification of audit and other processes to such an extent as would admit of the Financial Accounts being prepared from the Books and submitted at shorter intervals and with greater promptitude than previously; the plan of the Commissioners included the establishment of a Central Office of Account in the Books of which should be concentrated the transactions of all the

local Governments.

That security for accuracy which is afforded by the existence of a regularly balanced set of Books had not been attained so long as the Books of each Government were separately dealt with, since, in the transactions of the governments with each other, large amounts might fall through between the several governmental Books.

This question had a most important bearing on the financial arrangements of the Government, and in no respect was the value of the reforms since 1864 more conspicuous than in the assistance they gave in bringing under control the "unadjusted amount between Presidency and Presidency" in the Financial Account. Further after these reforms there was not only as regards expedition a great improvement over the former state of things, but the accounts themselves were much clearer in form, and much more accurate in substance.

Monthly accounts for the whole of India based on audited accounts began to be regularly submitted to the Government of India and the Secretary of State; these Returns, took the place of a monthly compilation of the most meagre and untrustworthy character.

Quarterly Statements of the Revenue and Expenditure of India began to be published for public information. The Government had long desired that quarterly comparative accounts should be placed before the public; it was, however, only in 1866 that this was carried out.

Steps in Decentralisation of Financial Administration

1870-1912

The system of financial administration remained highly centralised till 1870 when Lord Mayo took the first step to transfer the control of certain departments with their revenues to Provincial Governments and provided for fixed grants to them to cover expenditure in excess of departmental revenue. Expenditure still uncovered was to be met by local taxation. Lord Lytton provincialised some more services. From 1882, Lord Ripon introduced a system of divided heads of revenues and quinquennial provincial settlements with fixed additional assignments of land revenue to the provinces. Lord Curzon made the settlements quasi-permanent in 1904 and Lord Hardinge made them permanent in 1912.

The legal position was that all revenues and all balances belonged to the Centre. The Provinces could not raise any loans. In the General Accounts and Estimates the transactions of the Imperial and Provincial sections were accordingly combined, but shown under distinct divisions, against each Major

head of revenue and expenditure.

Under the system of provincial finance referred to above local Governments were permitted to retain for their own purposes a certain portion of the revenue which they collected on condition that they met therefrom a certain portion of the expenditure. Thus according to the quinquennial arrangement, made in 1892, the local Governments could retain the whole of the provincial rates, and three fourths of the ordinary land revenue and the revenue from stamps, one half of that from assessed taxes, forest and registration, one fourth of that from land revenue and excise, and most of the departmental receipts, except those from railways, which were divided in specified proportions, while as a final adjustment, either a further portion of the land revenue was granted or a reduction was made from the provincial revenues according to the circumstances of each province. On the other hand they had to pay the cost of collection of the land revenue (except survey and settlement in Bengal), and of the revenue from salt (except in Bengal and partly in Madras), provincial rates, and customs (except in Bombay), three fourths in the case of stamps, half in the case of assessed taxes, forest and registration, one fourth in connection with excise, and nearly all the charges under the heads of general administration, law and justice, police, marine, education, medical, superannuation, stationery and printing, famine relief, irrigation and civil works, besides a certain proportion of some other heads. If in any year the expenditure of a provincial government fell short of its revenue, the surplus was credited to its balance and debited as Imperial expenditure; if, on the other hand, the revenue fell short of the expenditure, the excess was taken out of the provincial balance and credited to the Imperial Government in diminution of the total expenditure of the year. Each provincial government was bound to keep a certain minimum balance.

System of Accounts Towards the Close of the Nineteenth Century

The system of Accounts as had evolved towards the close of the nineteenth century may be described[10] as follows:

Civil Account

The Civil Administration of India was divided into nine Presidencies or Provinces; Bengal, North Western Provinces and Oudh (renamed in 1902 as United Provinces), Madras, Bombay, Punjab, Central Provinces, Burma,

[10] Government of India, Department of Finance and Commerce Resolution No. 600, dated the 1st May, 1885.

Assam, and India General (which included various administrations and departments not under the Governors, Lt.Governors, and Chief Commissioners of the other Provinces). The Civil Accounts of the Government contained the receipts and disbursements:

(*a*) of Revenue and Political Treasuries;

(*b*) of Civil and Political Officers and Civil Departments who, by special arrangements, were supplied from the Treasuries with funds for expenditure, of which they rendered account.

The Civil Accountant General (or Comptroller) was the original Account Officer in respect of the Civil Accounts, and was responsible for obtaining accounts from the Treasuries, officers and departments which were in account with him, and for compiling a single monthly account covering all their transactions. This account worked from the cash balance in the Treasuries in the beginning of the month to that at the end of the month, balances of officers and departmental accounts being provided for by suspense heads.

Civil Accountants General exchanged accounts with each other in respect of transactions passing between them. Transactions, which it was desirable to bring upon a single account for all India, were passed through the Exchange Account upon the accounts of the Comptroller, India Treasuries.

Other Departmental Accounts

Treasury officers received money from, and upon assignments or credits from the Accountant General, paid moneys to, the non-Civil Departments. The Civil Accountant General took these credits and debits to the account of the department concerned.

The non-Civil Departments with the original Account Officers of each were as below:

Post Office	..	Comptroller, Post Office Accounts.
Telegraph	..	Examiner, Telegraph Accounts.
Marine	..	Controller of Military Accounts, Bengal
Military	..	Controllers of Military Accounts, Bengal, Madras and Bombay.
Public Works	..	Examiners, Public Works Accounts.

Direct correspondence between the Comptroller General on the one side and Controllers of Military Accounts of Examiners, Public Works Accounts was on routine matters only. On all others the Accountant General, Military or Public Works Department, was addressed.

Civil Accountants General exchanged accounts with the Marine, Military, and Public Works Account officers, so as to clear their mutual debits and credits and furnished similar accounts to the Account officers of the Post Office and Telegraph Departments, who rendered statements of the debits and credits in those departments on account of each Civil Account Office.

Except in a few cases in which permission was specially given, no non-Civil Account Office could take debits or credits to or exchange accounts with, any other non-Civil Account Officer. Debits or credits which had to be passed on the accounts of a non-Civil Account Officer, and the response thereto were adjusted through a Central Adjusting Account under the management of the Comptroller General.

Each original Account officer was responsible for:

(1) collecting accounts of all the receipts and disbursements of his departments;

(2) making up a monthly detailed account of all such receipts and disbursements and of all debits and credits passed on to him by Account officers with whom he exchanged accounts; and

(3) forwarding such accounts, either in abstract or in detail, to the Comptroller General, Central Office.

Examiners of Public Works Accounts forwarded their monthly account to the Accountant General, Public Works Department, who compiled them for the Comptroller General in four sets, one for each of the branches of the Department, *viz.*, Military Works, Railways, Telegraphs and Public Works.

The Comptroller General as Original Account Officer

The Comptroller General was responsible, as original Account Officer, for the following:

(1) Account of transactions of Guaranteed Railways, based on cash transactions included under a general head in the account of Civil Account Officers and reported by them, and on transfer transactions reported by the Accountant General, Public Works Department. This account was rendered to the Central Office as a separate departmental account.

(2) Account of foreign remittances, *i.e.*, of remittances of money bills or Bank or Currency transfers, from one Civil Accountant General to another. The Account was rendered to the Comptroller, India Treasuries.

(3) Accounts of the transactions of the Indian Forest Department. This was compiled for and rendered to each Civil Account Officer

(excluding Madras and Bombay) and incorporated in his accounts.

The Comptroller General printed and submitted to the Government of India the following monthly compilations of the accounts received by him.

(1) One for Civil Accountants General.
(2) An Appendix to the same, showing the Forest transactions.
(3) A compilation of the Guaranteed Railway Accounts.
(4) A compilation of the Post Office, Telegraph and Marine Accounts.
(5) A compilation of the three Military Accounts.
(6) A compilation of the four Public Works Accounts.
(7) A general abstract of the whole.

And he saw that the Civil Accounts properly worked from balance to balance and that the non-Civil Accounts properly accounted for all moneys they had received from or paid into the Treasuries.

The Comptroller General especially saw that transactions were not left outstanding between Account Officers under the Exchange Accounts, the Central Adjusting Account or the Account of Foreign Remittances, but that they were speedily brought to account in the monthly accounts received and compiled by him.

Accounts between India and England

Monthly schedules setting forth the details of debits and credits to London were prepared as follows, and submitted, with vouchers, to the Comptroller General for transmission, after examination, to London :

Nine schedules from the nine Civil Accountants General.

Three schedules from the Controllers of Military Accounts.

One schedule from the Controller of Military Accounts, Bengal, for Marine.

Four schedules from the Accountant General, Public Works, *viz.*,

(1) Buildings and Roads
(2) Irrigation
(3) State Railways
(4) Telegraph.

One schedule for each Guaranteed Railway. After the third schedule of the quarter was sent in, a quarterly account was sent agreeing with and quoting the three schedules. This was duly examined, and the Military Account was sent on to the India Office by the Comptroller General (after check as to thorough mutual agreement) together with a covering abstract

account embracing the whole of the transactions.

The Inward Account from London was received by the Comptroller General, who sent extracts therefrom to the Account Officers concerned for necessary action, and all correspondence with the India Office took place through the Comptroller General. (The Secretary of State did not communicate responding entries).

Local Books

Every original Account Officer maintained formal books exhibiting the transactions which passed into his accounts under the following classes of heads :

(1) Service heads:	Receipts and payment on account of Revenue and Expenditure of Government.
(2) Debt heads:	Receipts and payments in respect of which Government became liable to repay the moneys received or had claim to recover the amount paid.
(3) Exchange Accounts:	Receipts and payments to be passed on to the accounts of the other Account Officers, and debits and credits by which such items from other officers were brought on the accounts.

(4) Account between India and England.

No entries could pass into these books which had not first appeared in one of the regular monthly accounts, except :

(1) The ordinary opening and closing entries.
(2) Journal entries or corrections previously sanctioned by the Comptroller General.

Service heads and Account between India and England were closed to or by Government (directly or indirectly).

Debt heads were closed to or by balance. Exchange Account heads were closed to or by Government.

Annual Finance and Revenue Accounts

The Comptroller General (with the aid of the Accountants General, Military and Public Works Departments) drew up, on the basis of the yearly accounts of the original accounting officers, the yearly accounts of the Government as required by the Secretary of State and the House of Commons,

and also drew up a general appropriation report covering the whole area of the accounts.

Central Books

The Comptroller General maintained a Central Journal and Ledger, posted from the final accounts of each year received from the original Account Officers, and from such Journal entries as may be sanctioned by him.

In the Central Books, the Service heads, Debt heads, and Account between India and England were opened and closed in the same way as in the Local Books. But the Exchange Accounts were each posted from the accounts of both the original officers concerned, and closed to balance.

A copy of the Central Journal and Ledger, when closed, was sent to each original Account Officer, who saw that his own closing balances agreed with those posted in his account in the Central Ledger. For the Public Works Accounts, the Accountant General, Public Works Department, made this comparison between the Central Books on the one side, and the accounts of his Examiners on the other.

Report on Balances

Each original officer was responsible for the maintenance, either in his own charge or in that of some subordinate, or some officer who was in account with him, of details of the amounts due to or by Government, working up to and agreeing with his balanced heads. Each year he made a review of the closing balances upon his books, ascertaining if each of them was thus resolved and agreed with the recorded detail, and submitted a copy of that review to the Comptroller General (Public Works Examiners sent their review through the Accountant General, Public Works Department).

Each original Account officer also submitted to the Comptroller General a detail of the outstandings upon each of the Exchange Accounts for which he was responsible.

The Comptroller General upon the closing of the Central Books drew up a report:

(1) agreeing the technical record of the books with the published Finance and Revenue Accounts;

(2) reviewing and summarising the reports of the original accounting officers in respect of balances of Debt heads, completing the examination so for as it related to subjects (*e.g.*, Public Debt) in his own immediate charge;

(3) examining with the aid of the lists of outstandings of the Exchange Accounts the balances recorded in the Central Accounts under Exchange Account heads.

This report was printed, and formed part of the annual volume of Journal and Ledger.

Write Off

No amounts could be written off from Balanced heads to "Government", either upon the Local or upon the Central Books, without a specific order of the Comptroller General, and then only on the ground that the error was one of book-keeping only, and should not be debited or credited to a Service head as loss or gain of Government. These writes off were shown in a separate entry (under the head Government) in the annual reviews of the original Account Officers and of the Comptroller General.

Changes in the System of Accounts in the Early Years of the Twentieth Century

From the 1st April, 1905, the Comptroller General ceased to be an original Account officer for Forest Accounts. They were decentralised and entrusted to the respective Civil Accountant General or Comptroller.

From the 1st April, 1910 Postal and Telegraph Accounts offices were amalgamated and placed under the Accountant General, Posts and Telegraphs, who consolidated their accounts. From the same date the post of Accountant General, Public Works Department, was abolished and accounting and audit of Public Works transactions from accounts received from Public Works Divisional officers were decentralised and entrusted to the respective Civil Accountant General or Comptroller.

A new post of Accountant General, Railways, was created from the 1st April, 1910 and consolidation of Railway Accounts became his responsibility.

All these re-organisations have been dealt with in greater detail in Chapter III.

From the Montford Reforms to the Reforms of 1935

The reforms of 1919 gave the Provinces from the 1st April, 1921 a certain amount of autonomy because the experiment in self-Government was to be carried out in the provincial field. Though the superintendence, direction and control of the Government and revenues of India vested in the Secretary

of State, the necessary relaxation and removal of control were obtained through two sections in the Act, *viz.*, Section 45A and 19A which may be called the "Devolution" and "Divestment" Sections respectively. The Devolution Rules were issued in 1920 under the former Section. The most important change brought about was a clear demarcation between the Imperial and Provincial finances. The so called principle of divided heads under which the same heads of revenue and expenditure were shared both by the Provincial and the Central Governments was abolished. Subjects were classified as Central or Provincial with reference to the functions of the respective Governments and there was a clear cut allocation in the matter of Heads of Revenue and Expenditure. The important sources of revenue to the Centre were Opium, Salt, Income-tax, and Customs as also Railways and Posts and Telegraphs while Land Revenue, Irrigation, Excise, Forest and Stamps went to the Provincial Governments. The Provinces also obtained a share in the growth of Revenue from Income-tax so far as the growth was attributable to increase in the amount of income assessed and were given powers to impose certain new taxes. Expenditure heads were divided likewise, Defence, Posts and Telegraphs, Political charges, Major Ports, Commerce, Audit, Surveys other than Land Revenue and certain Scientific Heads for instance, being exclusively under the control of the Centre, while subjects like Police, Administration of Justice, Local Self-Government, Medical, Public Health, Education, Public Works, Agriculture, Forests, Excise and Industries were under the provinces. The most important point was that each Government was allocated fixed sources of income and expenditure, and had to manage its budget as best as it could. Certain provinces however had to make fixed contributions to the Centre to prevent the latter from being deficit even in normal times. Certain deficit provinces like the N.W.F.P., on the other hand, received a contribution from the Central Government. The Provincial budgets had to be balanced after taking the contributions into account. The principles governing the contribution system were called the Meston Settlement. The contributions were gradually reduced and finally abolished with effect from 1928-29.

The subjects in the Provincial field were divided into "reserved" and "transferred", the latter being under popularly elected Ministers. The guiding principle in determining the subjects to be included in the "Transferred List" were to include those departments which afforded most opportunity for local knowledge and social service, those in which Indians had shown themselves to be most keenly interested, those in which mistakes which might occur though serious would not be irremediable and those which stood most in need of development. The more important of the transferred

subjects were Public Health, Education, Forests, Registration of Births and Deaths, Religious and Charitable Endowments, Weights and Measures, Museums, Industries and Co-operative Societies. The Provincial finances were undivided and under the charge of the Governor's Finance Member. All taxes whether pertaining to the transferred or the reserved subjects were credited into a common reservoir from which all activities, whether reserved or transferred, were financed. The Ministers and the Executive Council Members prepared their own portions of the budget, with the Governor resolving deadlocks between them, as Finance was a reserved subject for which the Governor was himself responsible.

Certain expenditures were excluded from the vote of the local legislatures. The salaries of the High Court Judges, the Advocate General, interest and sinking fund charges on loans, contributions payable by the Local Government to the Centre, expenditure of which the amount was prescribed by or under any law and salaries and pensions of persons appointed by the Secretary of State in Council were in this class. At the Centre also similar expenditure as well as salaries of Chief Commissioner and Judicial Commissioner and expenditure classified as ecclesiastical, political or defence were non-votable.

Consequently all receipts and expenditure had to be classified in accounts as "Provincial" or "Central" and "voted" or "non-voted". In the Provincial accounts the system of dyarchy, with some subjects placed under popularly elected Ministers, necessitated the further classification of expenditure as "transferred" or "reserved".

Before the 1919 Act the Provincial Governments were not allowed to borrow in the open market. But a natural corollary of the separate provincial budgets was the permission to Local Governments to float loans on the security of the revenues allotted to them with the sanction of the Governor General in Council if raised in India or the Secretary of State in Council if outside India.

All the balance in the Treasuries and in the Government account in the Bank were, however, treated as Central. The Governor General in Council was the custodian of the Public Account which was a single account for the whole of India. The account of each Provincial Government was a subsidiary account and their balance as worked out by the Accountant General was only a balance in the Government account books. It was, however, no longer necessary to record together the Imperial and Provincial transactions against each head of account. The accounts and estimates of the Government of India embraced the transactions of the Provincial Governments appearing in them merely as a net addition to or withdrawal from their banking account

with the Central Government.

Home transactions of Provincial Governments were also separately accounted for by the Secretary of State and the High Commissioner for India. The latter had taken over as from the 1st October, 1920 several of the duties formerly performed by the India Office, *e.g.*, The Indian Stores Department in London including the Directorate of Shipping, official Agent to the Administrators General of India, Indian Trade Commission and Indian Students Department. The duties taken over included the work of the Accountant General, India Office connected with them. The net expenditure incurred in England on behalf of each Provincial Government was charged to its balance in India periodically together with loss or gain by exchange. With the greater independence of Provincial Finance under the altered conditions, the then existing rule against inter-provincial adjustments (Article 1337 Civil Account Code) was rescinded.

Apart from changes in accounting procedure necessitated by the Reforms, advantage was taken of the occasion to make other desirable changes also as in grouping of heads of account, lettering the several sections of the major heads to establish a link between Capital and Revenue sections relating to commercial services, in the nomenclature of heads of account, in abolition of obsolete major heads and introduction of new ones. A Famine Insurance Fund was created as required by the Act and accounting procedure for it laid down.

To avoid an inflation of the accounts and the resultant erroneous impression as to the incidence of revenue in India, the working expenses of Railways were even prior to the reforms of 1919 deducted from the gross receipts, and the net receipts only were shown on the revenue side of the accounts. It was decided that, after the reforms, the same procedure should be followed in the case of the other two commercial services also, *viz.*, Irrigation Works and Posts and Telegraphs. Accordingly, the working expenses of Irrigation Works and expenditure on Revenue Account in respect of Posts and Telegraphs came to be shown in the accounts as deduction from revenue, interest charges relative to the former remaining on the expenditure side.

Several changes in the Finance and Revenue Accounts were also introduced, some of them to make the detailed statements in those accounts more intelligible to the public, and notes began to be appended explaining the figures included in each statement or group of statements. The account was to be maintained in rupees, converting all sterling transactions into rupees. The receipts, expenditure and balances of each Government were to be worked out separately.

The Accounting changes were effected from the Accounts for 1921-22

and the budget estimates of the Local Governments, which became Governor's Provinces under the Reforms Scheme, for the year 1921-22 were the first budgets under the reformed procedure.[11]

The changes that were necessary in the procedure for the preparation of the detailed budget estimates of the Central Government in the altered conditions, were detailed by the Government of India in a Resolution of the 12th July, 1921[12] and brought into effect from the budget of 1922-23. The procedure for preparing the budget, which was to be in three parts, *i.e.*, Revenue and standing charges, Fluctuating charges and New charges, was laid[13] down and respective responsibilities of the Finance Department, Audit and Accounts Department, Administrative Departments and Heads of Departments in that connection detailed.

Separation of Railway Finance from General Finance

The Railway finances were separated from the General Finances in 1924, following the recommendation of the Acworth Committee. The object primarily was to secure stability to the general budget of the country by relieving it of the violent fluctuations by the incorporation therein of Railway estimates and to enable the Railways to have a continuous railway policy based on the necessity of making a definite return to general revenues on the money expended by the State on railways. Under the arrangements (called Railway convention) Railways had to contribute annually to general revenues one per cent on the capital at charge on commercial lines less interest on the capital at charge and the loss in working of strategic lines which were borne by general revenues. A Depreciation Fund was created. Annual payment to it as also interest on railway capital and other railway charges were to be borne by the Railways.

The more important accounting changes in consequence of these arrangements were :

(1) Before the Depreciation Reserve Fund was set up, the cost of renewals and replacements was being charged as working expenses. After the Fund was set up, the annual contributions to the Fund (based on the assumed lives of the various types of assets) was treated as working expenses, and the cost of all renewals and

[11] Government of India, Finance Department Resolution No. 3183-F, dated the 16th December, 1920.

[12] Government of India, Finance Department letter to all local Governments No. 2821-F, dated the 29th October, 1920.

[13] Government of India, Finance Department Resolution No. 2041-F, dated the 12th July, 1921.

replacements met from the Depreciation Reserve Fund.

(2) The purchase price of some of the Railway lines purchased from the private companies came to be paid by means of annuities which included elements both of principal and of interest. The whole of these annuities had previously been debited to the Revenue Account of Railways under the head Interest; but, with effect from the year of separation only the element of principal was debited to General Revenues.

These arrangements continued till the end of 1949-50.

Commercial Accounts for the Posts and Telegraphs Department

In 1925, the accounts of the Posts and Telegraphs Department began to be based on commercial principles, the broad features of which have been:

(1) a Capital Account to exhibit the value of the assets;

(2) a Renewals Reserve Fund built up from contributions debited to the revenues of the Department;

(3) Suspense Accounts, in which are recorded the transactions relating to the purchase and consumption of stores and the transactions relating to manufactures, etc., undertaken in Departmental workshops; and

(4) the exhibition of the true or commercial profit or loss on the working of each of the four branches of the Department, namely, Post Office, Telegraphs, Telephones and Radio; the Department bears all charges incurred on its account in other departments and receives credits for all services rendered by it to other departments.

Separation of Accounts and Audit in Railways

Mention has already been made in Chapter III of how an experiment in separation of Audit and Accounts was started in the East Indian Railway from the Ist December, 1925 and the system was adopted permanently from the Ist April, 1929 for all Railways.

The Reforms of 1935 to Independence, 1947

Under the Government of India Act, 1935 India was made a Federation and provincial autonomy was granted. The legislative powers were distributed in three lists, the Federal List, the Provincial List and the Concurrent List. The sources of revenue were allocated between the Centre and the

Provinces. Two new provincial accounts got added by the creation of the Provinces of Sind and Orissa from the 1st April, 1936.

From the 1st April, 1937, the Provinces, which became autonomous, acquired cash balances separate from the Centre and were placed in account with the Reserve Bank of India. With the separation of balances between the Central and Provincial Governments from the 1st April, 1937, the former roles of the Central and Provincial Governments in relation to the balances in the Government Treasuries within a province got completely reversed. Till the 31st March, 1937 the Central Government had, as explained earlier, acted as banker and the Provincial Governments as client. From the 1st April, 1937 the Provincial Government became the banker and the Central Government the client in respect of the transactions arising in Provincial Treasuries and Sub-Treasuries. The cash in the Treasuries and Sub-Treasuries in Provinces from that date became entirely the property of the Provincial Government concerned.

As regards the balances in the Bank, the Central and Provincial Governments each kept its own separate balance with the Reserve Bank of India from the 1st April, 1937. Treasury officers and other officers of Government authorised to draw from or pay money into the offices and branches of the Reserve Bank and of the Imperial Bank (now the State Bank) acting as agent of the Reserve Bank had to classify each transaction as Central or Provincial. Each office or branch of the bank dealt with two groups of accounts, that of the Centre and of the Province in which it was located instead of one as previously. All adjustments between the Central and Provincial Governments or between different Provinces had to be carried out through a separate organisation of the Reserve Bank at Calcutta, *viz.*, the Central Accounts Section of the Bank at Calcutta which operated as a Central Clearing House and acted on instructions received from Accounts Officers all over India. Under the new system, all inter-governmental adjustments relating to a particular official year had to be settled and advised by the Accounts Officer to the Central Accounts Section of the Reserve Bank by the 15th April, of the following year after which no adjustment was possible in the year's accounts. Similarly adjustments in the accounts of a month had to be advised not later than the seventh of the succeeding month.

A Pro Forma Railway Fund was created with effect from the 1st April, 1939. All transactions with or on behalf of Railways arising in the accounts of the Central and Provincial Government were from that date to be adjusted with the Reserve Bank against the balances of the Railway Fund.

A detailed accounting procedure has been evolved by the Auditor

General to watch that all inter-governmental transactions are correctly advised and actually adjusted against the balances in the Bank in the books of the Central Accounts Section.

The Accounts through which settlement is effected by operation of the balances of the distinct administrative entities, *viz.*, between one Province and another, between a Province and the Centre or the Railway and between the Central Government and the Railway came to be called "Settlement Accounts". Transactions relating to the Central Government may occur initially in the books of one accounting officer but may have to be finally adjusted in the books of another accounting officer without involving a monetary settlement. The accounts through which such adjustments are effected between the two accounting officers are called "Exchange Accounts". The "Central Adjusting Account" where the adjustment of the transactions as between the two accounting officers who are not authorised to exchange accounts is watched centrally by the Auditor General, has been referred to earlier in describing the system of account as had evolved towards the close of the nineteenth century.

Some other changes in Accounts consequent on the Reforms of 1935 were that the distinction between "reserved" and "transferred" which was a feature of dyarchy introduced by the Reforms of 1919 disappeared. The classification of expenditure as "voted" and "non-voted" was replaced by "voted" and "charged". The system of final accounting in the Home Accounts (Accounts in the United Kingdom of Indian transactions) ceased and all revenue and capital transactions in England of the Central and Provincial Governments were transferred to India through the Accounts current for incorporation under the appropriate Major, Minor and Detailed Heads in the Indian Accounts. This necessitated a change in the budgeting system as instead of a composite grant for all English charges other than those for stores, the necessary provision for all English charges had to be included in the respective subject grants.

Yet another change related to the accounts of the Crown Representative. The functions of the Crown in its relation with the Indian States were transferred with the commencement of Part III of the Act from the 1st April, 1937 from the Governor General to a separate legal authority, *viz.*, the Crown Representative, though the office was held in combination with that of the Governor General by one and the same person. The Accounts of the Crown Representative were separate from those of the Central Government though the funds obtained by the Crown Representative for meeting his expenditure in accordance with Section 145 of the Act of 1935 was charged in the Central Accounts. Although no responsibility had been imposed statutorily on the

Auditor General for keeping the accounts of the Crown Representative, it had been agreed that he would do so. His Accountants General used earlier to keep the accounts of the Political Department and various political Agencies etc., and continued to compile the accounts of the Crown Representative which were consolidated by the Accountant General, Central Revenues.

Separation of Burma

From the 1st April, 1937, Burma got separated from India. The payments to be made to India by Burma on separation were determined by His Majesty by Order in Council. The Accounting and Audit responsibilities for Burma of the Auditor General of India ceased on separation.

INDEPENDENCE AND PARTITION, 1947

The next important event was the Partition of India simultaneously with the advent of Independence from the 15th August, 1947. The North Western Frontier Province, Sind and Baluchistan became a part of Pakistan, whereas the provinces of the Punjab, Bengal and Assam were partitioned between the two dominions. The Budget Estimates for the combined Government of India and Governments of Punjab and Bengal were up to the 14th August, 1947 only. Separate Budgets were prepared and sanctioned from the 15th August, 1947 for the rest of the financial year for the Government of India and Governments of East Punjab and West Bengal.

Division of Cash Balances

The closing balance of the Central Government with the Reserve Bank on the midnight of the 14th August was distributed between the Governments of Pakistan and India. Pakistan got twenty crores of rupees from the Reserve Bank plus the balance of cash of the undivided Government of the Punjab left after paying Rs. 89 lakhs to the East Punjab Government. The combined Bengal Government had overdrawn its account with the Reserve Bank, and the liability was equally split up between the new Governments. In December 1947 Pakistan was paid another Rs. 50 crores and Rs. 5 crores were held over as Pakistan's contribution to the Joint Defence Council.

As regards moneys in Treasuries all over India, Pakistan got all the money lying in Treasuries situated in its territories.

Thereafter all transactions occurring in each dominion were taken

against its balance.

Accounting Arrangements

Accounting arrangements connected with Partition can be divided into three distinct periods. The first from the 19th July to the 14th August, 1947 was the pre-partition period when India was still undivided, but all arrangements, financial and others, were geared to the impending separation.

During the period from the 15th August, 1947 to the 30th June, 1948 partition had taken place, but administrative arrangements connected with partition were not entirely complete. India was making certain payments in her territory on behalf of Pakistan, and *vice versa*, reimbursements being made through the common banker, the Reserve Bank.

In the last period, from the 1st July, 1948 onwards the Reserve Bank was no longer a common banker. Payments still occurred in one dominion on behalf of the other, and settlements were made by bank drafts. Such settlement came to a virtual stop after the Indian currency was devalued on the 20th September, 1949.

Distinct accounting procedures existed in each period.

Closing of Pre-partition Accounts

The accounts of the combined Governments were closed (preliminarily) on the 14th August, 1947 as if it were the end of a financial year. Arrangements were made for formally incorporating the transactions of the combined Governments in those accounts till the 31st March, 1948, the date for final closing. The closing of the accounts for the pre-partition period, *i.e.*, from the 1st April, 1947 to the 14th August, 1947 and the final settlement between the Government of India and Pakistan and the Governments of the East and West Punjab are still pending. In the case of the Government of West Bengal, however, the pre-partition accounts were closed and the balances on the 14th August, 1947 were allocated between the two Governments either on the basis of agreements between the two Governments or on the basis of Awards made by the Arbitral Tribunal, or on provisional basis where there was neither agreement nor arbitration.

Pre-partition Accounts and Debt Settlement

The closing of pre-partition accounts is very important for the final debt settlement between India and Pakistan. The undivided Government of

India had assets and liabilities but like all modern Governments its liabilities were greater than its assets. On the eve of Partition, the dominion of India assumed all liabilities of the previous undivided Government. This liability was written down by the amount of liability assumed by Pakistan giving the "net liability". Seventeen and half per cent of the net liability was to be paid by Pakistam in 50 annual instalments. Broadly speaking, Pakistan got those liabilities which could definitely be allocated regionwise to Pakistan. Assets taken over by each Government also entered the liability calculations. Assets again went by geographical location, those situated in India being taken over by India, and those in Pakistan by that Country. Some assets were divided. Over and above, Pakistan was given Rs. 75 crores.

The value of each of the fifty instalments due from Pakistan can only be found out if the net liability of the Indian Government is known, and this in turn required the gross liability of the combined Government taken over by India to be calculated. That is only possible when the pre-partition accounts are closed. Cash transactions up to the 14th August, 1947 are known but there were expenditures and receipts on behalf of the old Government in both India and Pakistan even after Partition. They must be incorporated in the pre-partition accounts after Pakistan has sent all its portion of the accounts to the Indian Auditor General who is required, under the Partition Council's decision, to consolidate the pre-partition accounts.

Integration of States (1947-50)

The integration of Princely States has been dealt with in some detail in Chapter III. The Accounting and Audit responsibilities in respect of merged States as well as States whose administration was taken over by the Government of India were entrusted to the Auditor General by Notifications dated the 17th April and the 12th June, 1948 respectively under the Extra Territorial Jurisdiction Act of 1947. The latter were included in Part C of the First Schedule to the Constitution as it stood prior to the First November, 1956. From the 1st April, 1950 their accounts began to be maintained under the normal heads in the Union and State Accounts. The rest of the former Indian States (including Unions of such States) were treated as territories forming the States mentioned in Part B of the First Schedule to the Constitution as it stood prior to the 1st November, 1956. The Comptroller and Auditor General became responsible for the Accounting and Audit of the transactions of these States from the 1st April, 1950 (the 13th April, 1950 in the case of Patiala and East Punjab States Union) except in the case of Jammu and Kashmir, (*vide* Constitution (Removal of Difficulties) Order III dated the

26th January, 1950) Jammu and Kashmir came under his Accounting and Audit jurisdiction from the 1st May, 1958. 1st/13th April, 1950 also was the date from which Federal Financial Integration came into effect. The balances of assets and liabilities reflected in the debt, deposit and remittance heads in the State Accounts as related after integration to the Central heads were taken over to the corresponding heads of account in the Central Books. The States Finances Enquiry Committee laid down the principles for the distribution between the Centre and the States.

Link Accountant General

On financial integration the Part B States did not bank with the Reserve Bank. Central Government transactions occurring within the State were taken against the State cash balances and settled after a cash payment or receipt. It was apprehended that the offices of the Accountant General in Part B States might not have the skills that the elaborate system of accounting in the Part A State offices required. The practice of link Accountants General was evolved so that the full weight of the complications would not be felt in the Part B State Account office.

For each Accounts officer in a Part B State, an Accountant General was appointed in a Part A State to be his link Accountant General. The link Accountant General was the medium through which the Part B State Accountant General settled his transactions requiring adjustment outside the State.

At convenient intervals, the Central transactions occurring in a Part B State were consolidated and passed on to the link Accountant General who paid or received the net amount of the transactions. Thereafter the link Accountant General passed on the transactions to the particular Accounts officers who were responsible for accounting those types of transactions and made monetary settlement by the usual procedure obtaining in Part A States. When later the various Part B States entered into agreements with the Reserve Bank this round about process ceased and the same procedure as in Part A States got established.

FINANCIAL PROVISIONS OF THE CONSTITUTION, 1950

The Constitution, like the previous Government of India Act of 1935, provides for a distribution of legislative powers into the Union, State and Concurrent Lists, the items in the Lists being larger in number than in the 1935 Act and with the residual powers vesting in the Union. It maintains

a clear cut distribution of Revenues between the Union and the States for the discharge of their respective functions. In addition it also makes provisions for the assignment or sharing of certain sources of Central Revenues and the levy and collection of certain taxes and duties by the Union for distribution to the States (Art. 268-270). Provision has also been made for reviewing quinquennially the financial condition of the Union and the States and to make recommendations as to the distribution of the divisible taxes and the principles that should govern grants by the Union to the States (Art. 280). Somewhat Semi-mandatory provisions are contained for the promotion of the welfare of specified backward communities and for raising the level of administration of specified backward tracts to that of other areas for which a special responsibility is recognised. Under Miscellaneous Financial Provisions, an enabling Article (Art. 282) makes it possible for the Union Government for a State Government to make grants for any public purpose notwithstanding its being outside its constitutional sphere of functions. The distinction between "voted" and "charged" expenditure referred to under the previous Act is also maintained though items of expenditure falling in the latter category which have been specified in the Constitution are not entirely the same as in the old Act.

Consolidated Fund, Public Account and Contingency Fund

An innovation introduced by the Constitution was the conception of three separate purses for the Union and each State as against the earlier pattern of financial structure in the Act of 1935 which was based on the concept of each Government having a single purse with a single balance. A "Consolidated Fund" was created for the Union and each State into which were to flow all revenues received by that Government, all loans raised by that Government by the issue of Treasury bills, loans and ways and means advances and all moneys received by that Government in repayment of loans. All other public moneys received by or on behalf of the Government of India or the Government of State are creditable to a "Public Account" (Art. 266). While the consolidated Fund and the Public Account were synonymous under the Treasury Rules of the Central Government framed under Section 151 of the Government of India Act, 1935 and similar rules of Provincial Governments, they became two very different things under the Constitution.

No money can be withdrawn from the Consolidated Fund except in accordance with appropriation by law. Under the Act of 1935 an authenticated schedule of expenditure by the Governor-General or the Governor based on sums voted by the Legislature and the non-voted expenditure constituted

the authority for incurring expenditure. The Constitution provides for an Appropriation Act which includes charged expenditure (Arts. 114 and 204). The procedure for appropriation does not apply to withdrawals from the Public Account.

Contingency Funds have also been established under Art. 267 of the Constitution in the Union and the States to enable advances being made by the President or Governor for the purposes of meeting unforeseen expenditure pending authorisation by Parliament/Legislature under Arts. 115 or 116/205 or 206.

It follows from what is stated above that the balances in the three accounts, *viz.*, Consolidated Fund, Public Account and Contingency Fund are distinct and separate balances. Though the accounts of Government are now kept in these three parts, the balances have not been physically separated and very often deficits in the Consolidated Fund are made good by surpluses in the Public Account, without any formal borrowing by the former from the latter. In other words the Consolidated Fund, the Contingency Fund and the Public Account have only been notional Funds in the books from 1950-51 since when the Accounts are being kept in three parts and have not been physically separate funds as contemplated in the Constitution.

Separation of Balances of the Consolidated Fund, Contingency Fund and Public Account

Though physical separation of the balances in the three accounts is recognised as a constitutional necessity, several difficulties have stood in the way of its implementation.

(1) Such separation will involve very large budgetary and accounting changes since in the present processes of Accounting, Consolidated Fund and the Public Account are very much mixed at several stages.

(2) The separation will also involve allocation of the opening cash balance of the various Governments from the 26th January, 1950 (or the 1st April, 1950, the first financial year after the coming into force of the Constitution) as between the Consolidated Fund and the Public Account which by itself is a formidable and difficult task.

(3) The problem of keeping the Consolidated Fund and Public Account solvent all the time will add considerably to the complications of regulating the ways and means of Government.

(4) It will cut across the existing arrangements under which the Central Government draws upon the balances of the State Governments at places where the State Treasuries do not bank with the Reserve Bank or any of its agencies

and *vice versa* as also the arrangements relating to payments in the United Kingdom against central funds in the first instance and Inter-State transactions where the payment is in the first instance met from the funds of the State in which the paying Treasury is located.

A reversion to the pre-Constitution position may require Constitutional approval. Anyhow the problem has to be solved sooner or later.

Other Major Changes in the System of Accounting since 1950

Posts and Telegraphs and Defence Pro Forma Accounts

Mention has been made earlier of the setting up of a Pro Forma Railway Fund from the 1st April, 1939. A similar Pro Forma separation of the balances of the Posts and Telegraphs Department was brought[14] into force from the 1st October, 1960 and the Defence Services from the 1st April, 1962. All transactions with or on behalf of the Posts and Telegraphs Department and Defence Services from those dates in the accounts of the Central and State Governments and *vice versa* are adjusted with the Reserve Bank against the balances of their Pro Forma Accounts and of the Government concerned.

Rationalisation of Accounting Classification of Government Transactions

The Accounting structure drawn up at the time of introduction of the Government of India Act, 1935 continued after the 26th January, 1950 more or less in the same form apart from the maintenance of accounts from 1950-51 in three parts referred to earlier. It did not take into account fully the changes brought about by the new Constitution and the shift in governmental activities as a result of the rising tempo of developmental expenditure. Several changes in accounting classification were accordingly decided upon and phased over a period of two years, 1961-62 and 1962-63.

The changes introduced from the 1st April, 1961 included[15] changes in the nomenclature of sections where such nomenclature, *e.g.*, "Principal Heads of Revenue" and "Direct Demands on the Revenue" had become obsolete or inappropriate. The changes also covered the method of exhibiting adjustment of shared taxes between the Union and States or States and Local Bodies, which did not represent expenditure but were essentially transfers

[14] Government of India, Ministry of Finance No. FI(2)B/60, dated the 27th August, 1960 and FI(77)B/60, dated the 19th January, 1962.

[15] Government of India, Ministry of Finance No. FI(24)-B59, dated the 5th October, 1960 and No. FI(13)-R61, dated the 25th October, 1961.

of revenues from the Union to the States or from States to Local Bodies for which no Major Heads were prescribed. Grants-in-aid to State Governments were to be shown under one head to give a consolidated picture. In view of the importance of "Labour" it was to be a separate Major head of account. "Administrative Services" and "Social and Developmental Services" were split up into two separate sections.

The further changes introduced from the 1st April, 1962 included rearrangement of heads to show civil heads first, the Defence Services thereafter and the Railways and Posts and Telegraphs at the end. Forest got relegated to a lower position "Miscellaneous", no longer being a principal source of revenue.

It has been stated earlier that from 1921-22 the working expenses of certain Commercial Departments were adjusted in accounts in reduction of receipts. The argument then advanced was that it would "avoid an inflation of accounts and the resultant erroneous impression as to the incidence of revenue in India". This was reconsidered on the ground that the payment heads did not reveal the total of the expenditure incurred in these Departments. As a general pattern it was decided that under each Major head of account of expenditure of a Commercial Department, there should be three sub-Major heads (*i*) working expenses, (*ii*) interest, and (*iii*) other revenue expenditure. To rationalise accounting of debt charges, they were to be shown under three sub-Major heads (*a*) Interest on Public Debt and other obligations, (*b*) Interest on Inter-governmental Debt, and (*c*) Interest on Reserve Funds, etc. Recoveries of interest from Commercial Department and State Governments were to be shown not as reduction of expenditure but as receipts. The growing importance of certain departments and activities was recognised by new Major heads in respect of "Parliament and State Legislatures" "Supplies and Disposals", "Overseas Communications Service" and "Dividends from Commercial and other Undertakings". There were other minor changes.

Modification in the Railway Convention

The Railway Convention was reviewed by a Committee of the Legislature in 1949 and the following revised arrangement came into force from 1950-51:

(1) The guarantee of a fixed dividend at the rate of 4 per cent on the capital at charge invested in the Railway Undertaking as computed annually.

(2) Fixation of contribution to the Depreciation Reserve Fund at a

minimum *ad hoc* rate of Rs. 15 crores a year for the five years commencing from 1950-51 instead of at a rate based on the assumed lives of the assets.

(3) Limiting the scope of the Railway Reserve Fund (renamed as Revenue Reserve Fund) to securing payment of the annual dividend to General Revenues and to bridging any budgetary gap in the undertaking.

(4) The constitution of a Development Fund for financing expenditure on labour welfare, passenger amenities and which are necessary for operational reasons but unremunerative.

The more important of the consequentional accounting changes were :

(1) The element of interest in the annuities payable towards the purchase price of Railways became debitable to General Revenues and not Railways.

(2) The loan account was separated from the block account, the former representing the share capital of the Undertaking and the latter its physical assets whether financed from loan capital or revenue.

(3) The rules of allocation between capital and revenue were modified to the extent indicated below :

(*i*) The full cost of replacement including the improvement and the inflationary elements in it was to be debited to the Depreciation Fund.

(*ii*) The financial limit of charging to revenue, the cost of minor additions and improvements was raised from Rs. 10,000 to Rs. 25,000 on each individual item.

(*iii*) Expenditure on unremunerative projects for improving operational efficiency costing not more than Rs. 3 lakhs was to continue to be debited to revenue the excess over Rs. 3 lakhs on such projects, being debited to the Development Fund.

(*iv*) Expenditure on the construction of new lines which were necessary, but unremunerative was to be financed to the extent possible from the Development Fund.

(*v*) Expenditure on unremunerative strategic lines was to be debited to capital, but no dividend on the capital so employed was to be payable to general revenues.

The arrangements were again reviewed in 1954 and a new convention incorporating some further changes was introduced for five years with effect from the year 1955-56. This period was, however, extended by one year, *i.e.*, up to the 31st March, 1961, in order to synchronize with the

Third Five Year Plan.

The main features of the 1954 Convention were :

(1) The contribution to Depreciation Reserve Fund was fixed at Rs. 35 crores instead of Rs. 15 crores per year for the five years commencing from 1955-56.

(2) Expenditure on unremunerative projects for improving operational efficiency, if costing not more than Rs. 3 lakhs each was to be charged to the Development Fund.

(3) The criterion for classifying the projects as remunerative was that they yielded a return of not less than 5 per cent on the total estimated cost.

(4) Expenditure on construction of new lines whether remunerative or not, was to be debited to Capital.

(5) The dividend on the element of over capitalisation in the loan capital of the Railway was to be paid at the average borrowing rate charged by the Government of India to Commercial Departments from year to year.

(6) A moratorium was granted in respect of the dividend payable on the capital invested on new lines during the period of construction and up to the end of the fifth year of their opening for traffic, the deferred amount being repaid from the sixth year onwards, in addition to the current dividend out of net income of the new lines.

(7) The cost of construction of quarters for Class III and Class IV staff was chargeable to the Development Fund.

The arrangement was further reviewed in 1960 and a new convention incorporating some further changes was introduced for five years with effect from the year 1961-62. The main features of the changes introduced by the 1960 Convention are :

(1) The rate of dividend payable by the Railways to General Revenues has been fixed at 4.25 per cent during the five years 1961-66. This rate was, however, increased to 4.50 per cent in 1963-64 with the specific approval of Parliament. Capital made available to the Railways after the 31st March, 1964 bears dividend at 5.75 per cent, in view of the prevailing higher rates of interest on Government borrowings and the still higher rate of interest on some of the foreign loans made available to the Railways.

(2) The Capital-at-charge of the North East Frontier Railway, other than the clearly strategic portion thereof, is to be regarded as unproductive, till such time as the line becomes productive or the next Convention Committee reviews the position, whichever is earlier;

the rate of dividend payable on the Capital-at-charge of this railway being the average borrowing rate of Government.

(3) The annual loss in the working of strategic lines is to be borne by General Revenues.

(4) The total contribution to Depreciation Reserve Fund is fixed at Rs. 350 crores during the next quinquennium. This has since been increased with the specific approval of Parliament obtained through the Railway Budget of 1963-64 to Rs. 380 crores.

(5) The Railway Development Fund, besides meeting the cost of Labour Welfare Works, etc., is to include a minimum allocation of Rs. 3 crores per annum for Users amenities.

(6) The passenger tax at the existing rate is merged with the passenger fare from the 1st April, 1961 and State Governments are to be paid a fixed amount of Rs. 12.50 crores per year during the quinquennium 1961-66, representing the average of the actual collections for the years 1958-59 and 1959-60.

(7) The deferred dividend on new lines is to be paid from the sixth year onward only if the net income of the new lines leaves a surplus after payment of the current dividend.

The Convention also recommended the creation of an Amortisation Fund, for the liquidation of all the dollar loans at the opportune time.

The separation of Railway from General Finance does not involve separation of the ways and means part of the two accounts.

Posts and Telegraphs Convention

From the 1st April, 1960 arrangements were introduced under which the Posts and Telegraphs Department has to pay a dividend to General Revenues calculated on the mean capital-at charge at the beginning and at the end of the year reduced by the amount of the accumulated surplus at the credit of the Department in the Pro Forma account on the 31st March, 1960, the rate of dividend being that in force from time to time in the Railways. The surplus available after payment of the dividend to General Revenues may be utilised by the Department for making adequate contribution to the Revenues Reserve Fund, the balance of the surplus, if any, still remaining being utilised for its development programme and other capital needs.

The Main Division of Accounts

Mention has been made earlier that the Government Accounts are kept

in three parts, *viz.*, (I) Consolidated Fund, (II) Contingency Fund, and (III) Public Account and that the balances in these accounts though notionally separate have not been physically separated.

The main divisions of Government Accounts are as below :

Part I

Consolidated Fund

Revenue

I Revenue receipts under Sections A to N
II Expenditure met from revenues under Sections A to NN

Capital

III Capital account outside the Revenue Account under Sections AA to NN

Debt

O Public debt
P Loans and Advances by the Central Government
Q Loans and Advances by the State Governments
R Inter-State settlement

Part II

Contingency Fund

Part III

Public Account

S Unfunded Debt
T Deposits and Advances
U Remittances
V Transfer of cash between England and India
W Reserve Bank Deposits

Common to the three Parts

X Cash balance.

The divisions, I "Revenue receipts" and II "Expenditure, met from Revenue" deal with the receipts from taxation and other sources of revenue and the expenditure therefrom; the net result of which represents the revenue surplus or deficit for the year.

The division, "Capital account outside the Revenue Account" deals with the expenditure met usually from borrowed funds, such expenditure being incurred with the object either of increasing concrete assets of a material character or of reducing recurring liabilities, such as those for future pensions by payment of the capitalised value. It also includes receipts of a capital nature which can appropriately be applied as a set-off against capital expenditure.

The division, "Public Debt" comprises loans raised by Government, loans of a purely temporary nature classed as Floating Debt (such as Treasury bills and ways and means advances) as well as other loans classed as Permanent Debt.

The division, "Loans and Advances" comprises loans and advances made by Government together with their recoveries.

The division, "Unfunded Debt" in the Public Account includes Deposits of Service Funds, Savings Bank Deposits, Cumulative Time Deposits, Post Office and Treasury Savings Deposit Certificates, various Provident and Family Pension Funds, Postal Insurance and Life Annuity Fund, etc. The division "Deposits and Advances" deals with receipts and payments other than those falling under "Loans and Advances" pertaining to the Consolidated Fund, in respect of which Government becomes liable to repay the moneys received or has a claim to recover the amounts paid, together with repayments of the former and recoveries of the latter and includes various Reserve Funds, and Accounts with Governments of other countries and suspense accounts.

The division, "Remittances" embraces all merely adjusting heads, *e g.*, cash remittances from one Treasury to another, transfer between different accounting circles and remittances between India and England. Credits and debits taken to adjusting heads in the first instance are cleared eventually by adjustment under final heads.

The division "Transfer of cash between England and India" represents actual cash remittance through the Reserve Bank. The transactions in accounts are grouped into sections which are further sub-divided into Major heads of accounts, Minor heads, Sub-heads and Detailed heads. Intermediate heads of account, known as Sub-Major heads, are some times introduced between a Major head and a Minor head when the Minor heads are numerous and can conveniently be grouped together under such intermediate heads. In similar circumstances, Minor heads are divided into Sub-heads

(group heads). The sections are distinguished by letters of the alphabet, a double letter denoting the Capital portion of the particular set of transactions. Major heads in the Consolidated Fund Account pertaining to Revenue and Capital heads are numbered serially, Roman numerals being used on the receipt side and Arabic in the payment side. The list of various Revenue and Capital Major and Sub-Major heads in the Consolidated Fund Account is given in Appendix II for facility of reference.

General Principles Underlying Government Accounts

Annual Basis

Since the budget is on an annual basis, the accounts have to conform to it. Thus the annual accounts record transactions which take place during the financial year running from the 1st April to the 31st March. A later section deals with how the financial year came to be so fixed. Though the Government accounts of a year are kept open for a certain period in the following year for completion of various accounting processes, an actual transaction taking place after the 31st March cannot be treated as pertaining to the previous financial year even though the accounts for that year are open for purposes of certain interdepartmental adjustments, correction of errors in classification, clearance of suspense heads, etc.

Cash Basis

The Government accounts record actual receipts and payments during the financial year and do not take into account outstanding liabilities or accrued income. The former follows the rule of lapse of the appropriation at the close of the financial year. The accounts record facts as they take place. As early as 1870 the Government of India issued[16] instructions in the following words :

> "Instances have occurred since the issue of Notification No. 1274 dated the 22nd February, 1870 which show that it is not yet everywhere understood that a disbursement actually made must not be left unrecorded for a day, because it is made irregularly or without due authority.
>
> "The duties of Accountants General in regard to unsanctioned disbursements are well understood. Their fulfilment must not interfere with the immediate record of the fact of every disbursement, proper or

[16] Government of India, Financial Department Circular No. 4437, dated the 25th October, 1870.

improper, in the account."

Regarding receipts also it has always been a rule that no sums shall ordinarily be credited to Government by debit to a suspense head; credit should follow and not precede actual realisation.

In the United Kingdom there had been controversy for many years over the subject of adoption of the accrual basis (otherwise known as the income and expenditure basis) instead of the cash (or receipts and payments) basis for Government accounting, the latter having been criticised by members of the profession as being not up to date. The Select Committee on National Expenditure in 1918 had recommended the progressive adoption of income and expenditure accounting through all Government Departments, but a first experiment in this connection conducted in respect of Army Accounts for the six years 1919-25 was abandoned. In 1947, the "Crick Committee" went again into this problem. The Committee included outside representatives of the profession. In its report submitted in 1950 the Committee agreed with the principle that the main Exchequer Account and the framework of both Estimates and Appropriation Accounts should remain on a cash basis. It had, however, long been accepted in the United Kingdom that Trading or Commercial services should be recorded in income and expenditure accounts and sections of the Exchequer and Audit Department Act, 1921, provided that the Treasury could direct the preparation of such accounts and that the Comptroller and Auditor General should examine them and that they should be presented to Parliament. The present position in the United Kingdom is that Estimates and Appropriation are on a cash basis, supplemented by income and expenditure accounts to cover trading activities.

Accrual accounts appear to offer no advantage to non-trading Departments, *i.e.*, for ordinary Government activities. The effect of accrued but uncollected revenue of the year and outstanding liabilities of the year awaiting payment may to a good extent be offset by collections during the year of revenues relating to previous years and payments in the year of liabilities incurred in earlier years. The impracticability of keeping records of all kinds of assets by value as well as quantity (many of them may not ever be objects for sale, *e.g.*, roads and armaments) and of depreciating them correctly is also often stressed in favour of keeping accounts on a cash basis. Further the Governments, unlike commercial concerns, do not have to assess their annual profit and loss. Actual accounting, if it were to be adopted for Government Accounts in general, would involve difficulties and delays disproportionate to any advantages that may result therefrom.

In this connection it may be of interest to know that in Canada expenditure accounts run on a 13-month basis, payments in April for goods supplied

by the 31st March being charged to the prior year; on the revenue side, however, there is a cut off at the 31st March. In India, it is sometimes reported that cheques dated the 31st March are issued in April for supplies or services rendered before the 31st March and much hide and seek goes on in this connection. The Canadian system takes a more practical view of the difficulties of such a situation.

Another feature of interest is the "double budget" system in South Africa. The financial resources of South Africa are segregated at source into two funds, *viz.*, the Consolidated Revenue Fund and the Railways and Harbours Fund. There are separate budgets and separate appropriations for them. The accounts of the former are on a cash basis and of the latter on an accrual basis. The Appropriation Act for the latter provides for amounts earned or accrued and liabilities incurred or outstanding to be brought into account. Thus the Appropriation and Commercial Accounts are interlocked. In India and in the United Kingdom the Commercial Accounts are outside the Ordinary Accounts and supplementary to them. Pro Forma Commercial Accounts are dealt with in a separate heading.

Inter-departmental Transactions between Non-Commercial Departments

It is a general rule that classification of transactions in government accounts has closer reference to the departments in which the revenue or expenditure occurs than to the object of the revenue or expenditure or the grounds upon which it is sanctioned. Commercial Departments are an exception. In the early years of British rule in India, the financial administration was highly centralised as earlier described. In 1863, the following instructions were issued[17] by the Government of India :

> "The English rule, which was arrived at after full trial, is the only workable one—that the Department which performs the service should provide for the expense of it in its Estimate as a final charge. In its application to this country, the rule should be that every administration should provide in its estimate for the whole of the establishments which it administers explaining in the Administration Reports, or if desired, by a note on the face of the Estimate, that a portion of the charge is incurred on account of other Governments."

In 1888, the Government of India examined[18] the desirability of permitting every department of the public service to charge every other department

[17] Government of India, Financial Department Resolution No. 2199, dated the 29th May, 1863.

[18] Government of India, Finance Dept. Proc. A Accounts, July 1988, No. 698 to 705.

with the cost of service rendered and articles supplied to it; or, in other words, of permitting free adjustment of charges between major heads of account. At that time the following arguments were advanced in support of the suggested change of system. It was urged that adjustments of the kind contemplated would constitute a valuable check on extravagance; that in the case of service departments they would enable the true net cost of service to be shown on the face of the accounts; and that, as regards commercial departments they would assist in the preparation of a proper profit and loss account.

Against the proposed system of adjustments of a formidable array of arguments was advanced, which may be briefly summarised as follows:

(1) The public accounts should record the whole actual revenues and receipts of the Government on the one hand, and the whole actual expenditure of the Government on the other, and nothing more. Every adjustment transgresses this principle and causes the record to be unduly swollen.

(2) The public accounts should record facts and nothing but facts. Every inter-departmental adjustment transgresses this canon, for no person can in fact pay money to himself.

(3) The public accounts should be of the simplest possible character.

(4) Every transaction should be immediately brought to account. Adjustments inevitably mean delay, as they involve a quasi-credit system.

(5) The public accounts should be completed and published with all possible promptitude. Adjustments here also mean delay.

(6) If the debit to a department for any service or article be the same whether it buys in the open market or from another department, resort will often needlessly be had to the market, although the services or articles might have been supplied by another department at no real cost or at less real cost to Government.

(7) If the supplying department itself has to bear the cost of a service which it performs or an article which it supplies, the pressure for economy and the motives for criticising and challenging demands will operate more immediately and effectively than they would do if the whole outlay could be transferred to another department.

(8) Complete and effective adjustment can never be made. By no system of structure can the public accounts show the true net cost of any important service, except by giving up the attempt to show the net cost of every other service. The accounts are not designed and cannot be designed to show such a result.

The Government of India then held that the disadvantage of inter-departmental adjustments far outweighed their advantages, and they had no

hesitation in declining to adopt a system requiring such adjustments.

These principles were repeated by the Government of India in 1921 and while with the greater independence of Provincial Finance under the 1919 Act the rules against inter-provincial adjustments were rescinded, that against inter-departmental adjustment was reaffirmed.[19-20] Both the Finance Accounts and the Appropriation Account do not in the case of non-commercial departments show the net cost of each service. The expenditures for many services are not wholly covered by any one head of account. For instance the expenditure on a building constructed by the Public Works Department for a government school would be booked under Public Works and not under Educa ion. The budget in Great Britain shows the cost of each service by bringing together items of the budget which go into making the total cost of a service but no such practice is followed in India.

Distinction between Commercial and Non-Commercial Departments

For purposes of inter-departmental payments, the departments of a Government are divided into service departments and commercial departments. Service departments are constituted for the discharge of those functions which either (1) are inseparable from and form part of the idea of Government (*e.g.*, Jails and Police), or (2) are necessary to, and form part of, the general conduct of the business of Government (*e.g.*, Government Printing). Commercial Departments or Undertakings are maintained mainly for the purposes of rendering services or providing supplies, of certain special kinds, on payment for the services rendered or for the articles supplied. They perform functions which are not necessarily governmental functions and are required to work to a financial result determined through accounts maintained on commercial principles.

A service department does not, except where expressly authorised, make charges against another department for services rendered or supplies made which fall within the class of duties for which the former department is constituted. Without prejudice to this general principle and subject to specified exceptions, Defence Services, in respect of inter-departmental transactions charge and are charged for services rendered and supplies made to or by other departments. A commercial department or undertaking ordinarily charges and is charged for any supplies and services made or rendered to, or by, other departments of Government.

[19] Government of India, Finance Department No. 2041-F, dated the 12th July, 1921.

[20] Government of India, Finance Department letter to India Office No. 482-A, dated the 30th June, 1931 and India Office No. 417, dated the 8th August, 1921.

Payments of amounts due by one department of Government to another are ordinarily made by book transfer except when such transfers do not suit the methods of accounts or of business adopted by the receiving department.

Payments are required in all cases in respect of services rendered to any foreign government, or non-government body or institution, or to a separate fund constituted as such inside or outside Government Accounts, unless the Government by general or special order gives direction to the contrary. Subject to the relevant provisions of the Constitution and the laws or regulations made thereunder, adjustments in respect of financial transactions between the Union and the State Governments, are, unless otherwise provided for, made in such manner and to such extent as may be mutually agreed upon between the governments concerned. The principles and the rules regulating the distribution of certain charges, such as, pay, leave salary, passage, pension, etc., between governments in respect of Government employees who have served under more than one Government are governed by such agreements.

Banking and Treasury Arrangements

Banks

The Union Government and every State Government except the Government of Jammu and Kashmir have separate agreements with the Reserve Bank of India by virtue of which the general banking business of these Governments (which includes the receipt, collection, payment and remittance of moneys on behalf of Government) is carried on and transacted by the Reserve Bank at every station at which the latter has its office or branch or at which there is a branch of the State Bank of India serving as its agent. The Union Government, as a general rule, operates on every office and branch of the Reserve Bank of India and with a few exceptions on every branch of the State Bank of India acting as the agent of the Reserve Bank. The operations of each State are confined to the offices and branches of the two Banks which have been designated as falling within the area of that particular State. Each office or branch of the Reserve Bank of India keeps two separate accounts of cash transactions undertaken on behalf of the Government—one for transactions for the Union Government and the other for the transactions of the State Government within whose area it is situated. All transactions which cannot be debited or credited directly to the account of the Union Government with the Bank are taken

to the account of the Government of the State in which they occur so that this account will include as well the transactions relating to other States. These are later advised to the Reserve Bank by the State Accountant General for adjustment against the balances of the State Government concerned. Separate statements of transactions in their Union and State Government accounts together with all supporting vouchers, etc., are transmitted by each office and branch of the bank daily to the Treasury Officer, Pay and Accounts Officer or to the Accountant General as the case may be. At the close of each month, the balances of the two accounts are transferred to the Central Accounts Section of the Reserve Bank at Nagpur. The transactions of Railways, Posts and Telegraphs Department and Defence Services are, however, distinguished from other Union Government transactions in the Initial Accounts and are classified by each Railway, Posts and Telegraphs and Defence Account Circle separately. These transactions are taken against the Railway Fund, Posts and Telegraphs and Defence Account in the books of the Reserve Bank direct and do not, therefore, pass through the Treasury Accounts, or consequently through the accounts of the Civil Accountant General.

Each branch of the State Bank transacting the Government business as the agent of the Reserve Bank classifies the transactions likewise and submits statements of transactions to the local Treasury Officer, Pay and Accounts Officer or the Accountant General, as the case may be. The totals of such transactions are also reported by the bank at the close of the day to the Central Accounts Section of the Reserve Bank through the Central Accounts Office of the State Bank.

Transactions of State Governments in England are taken in the first instance against the balances of the Union Government and adjusted in India against the balances of the State Government concerned by the Deputy Accountant General, Maharashtra, Nagpur through the Central Accounts Section of the Reserve Bank at Nagpur on the basis of advise from the Chief Accounting Officer to High Commissioner for India, London.

Railway, Posts and Telegraphs and Defence transactions arising in England are similarly adjusted through Reserve Bank in India against the Railway Fund, Posts and Telegraphs Account by the Deputy Accountant General, Maharashtra, Nagpur on advice received from the Chief Accounting Officer to the High Commissioner for India.

Complete accounts of the Union and State Government with the Bank are maintained by the Central Accounts Section of the Reserve Bank at Nagpur, which also acts as a General Clearing House for the adjustment of transactions between different governments.

Treasuries

The Treasuries are the units of the fiscal system and the points at which the public accounts start. Into these Treasuries are paid the receipts of Government and from them are disbursed the payments on behalf of Government. There are over 330 Treasuries and nearly 1750 Sub-Treasuries scattered all over the country. Of these 162 Treasuries and 491 Sub-Treasuries bank with the Reserve Bank of India or its agents. They are called "Banking Treasuries". The others are "Non-Bank Treasuries". The Treasuries in the States are under the control of the State Governments. Those in Union Territories are under the control of the Government of India. The District is the unit of administration in India and every District Treasury is in charge of a Treasury Officer who is under the administrative control of the District Collector/Deputy Commissioner. In matters of accounts, however, the Treasury Officer, is in subordination to the Civil Accountant General whose instructions he should carry out.

The cash balances held in a State Government Treasury form part of the Government Account of the State to which the Treasury belongs and cash balances held in a Treasury of the Union Government form part of the Government Account of the Union. Transactions occurring in a Non-Bank State Treasury on account of the Union Government and all transactions on behalf of other State Governments arising in a State are carried in the first instance against the balance of the State in which the Treasury is situated, and the requisite money settlement between the governments concerned is subsequently initiated by the Accountant General. Transactions arising in State Treasuries on behalf of the Union Government and other State Governments are adjusted through the Reserve Bank except those on behalf of the Government of Jammu and Kashmir are settled in cash or by bank draft. Similarly, all State transactions in Union Treasuries are carried initially against the balance of the Union Government. Transactions on behalf of State Governments (except Jammu and Kashmir) are settled through the Reserve Bank.

Initial Accounts in Treasuries and in Departmental Offices

The revenue and other receipts received and the payments made, at State Treasuries and those at Union Treasuries, which render accounts to State Accountants General, are compiled at each Treasury into two separate monthly accounts, one for the transactions of the Union Government and the other for State transactions, which are sent to the State Account Officer.

The Union Treasuries, which render accounts to the Accountant General, Central Revenues, however, send only one account each month to him, and in this the transactions on account of State Governments taking place at those Treasuries are shown under appropriate heads. The classification or the marking of each item of receipt and payment according to the head of account to which it relates, is made by the departmental officers on the challan or the bill presented at the Treasury. A list of payments supported by vouchers is sent by the Treasury Officer to the Accountant General twice a month, one for the payments made from the 1st to 10th of the month and the second for payments from the 11th to the end of the month. The receipts and payments for the whole month are also recorded and compiled into a monthly cash account at each district Treasury and sent to the Accountant General. The detailed rules for the payment of money into and withdrawal of moneys from the Treasuries are contained in the Treasury Rules of the Union and State Governments.

In the case of large departments, such as, Railways, Posts and Telegraphs, Defence, Public Works and Forest Departments, the receipts realised are paid into the Treasury in lump and are accounted for in the Treasury merely as receipts on behalf of such departments. The detailed accounts of such receipts are kept by the departmental officers concerned. Similarly, sums are withdrawn in lump at the Treasury or bank by those departmental officers and they appear in the Treasury Accounts merely as payments on behalf of those departments, detailed accounts being maintained by the departmental officers. There are other departments also whose initial accounts are not fully kept by the Treasury, *e.g.*, Customs Department, the Department of Central Excise, Mint, etc. These departmental officers submit detailed accounts of their transactions to their respective Account Officers. Some departmental officers are required to render to the Account Office compiled accounts with suitable abstracts of their transactions classified under prescribed heads of account. The relations of these departments with the Treasury and the arrangements in each for the preparation of the initial accounts are described in the relevant local Manuals.

Classification and Compilation in Accounts Offices

The accounts received from the Treasury and from the departmental officers are classified and compiled in the office of the Accountant General into a Consolidated Monthly Account. In Madras, this classification is done at the Treasury. Audit generally precedes compilation. The transactions by the Union Government (Civil) taking place throughout India are

consolidated from month to month by the Accountant General, Central Revenues to whom other Accounts Officers furnish a monthly account of the Central transactions taking place in their accounts circles. The transactions of the Posts and Telegraphs, Railways and Defence Services taking place throughout India are similarly consolidated monthly by the Accountant General, Posts and Telegraphs, the Director of Accounts, Railway Board and the Controller General of Defence Accounts respectively, from the figures furnished by their subordinate officers.

The transactions on account of the Union and the State Governments taking place in the United Kingdom (with the exception of those representing genuine sterling assets and liabilities of the Union Government) are passed on monthly to India through the Account Current and are incorporated in the books of the respective Accounts Officers.

The arrangements and the various processes followed generally for the compilation of the accounts in the office of a State Accountant General are described below. The accounts for the transactions of the Union Government are kept entirely separate from those for the transactions of the State. The Books, Abstracts, etc., maintained for the two categories of the transactions are identical in character. The accounting for Union transactions takes place simultaneously with that for State transactions and the processes described in the following paragraphs apply equally to both sets of transactions. One Section, in every office receives the district accounts of all Treasury transactions whether pertaining to the Union or to the State Government. This Section is responsible for the adjustment of the entire Treasury accounts of a district relating to Union and State transactions, with the exception of departmental receipts and payments, which are provisionally adjusted under the Suspense Head "Departmental Adjusting Account". The adjustment under the proper heads of account of the latter category of transactions, which are entered by the Treasury in separate schedules of receipts and payments, and also the consolidation of the departmental figures are done in Treasury Departmental Sections. In offices where a pre-Audit Pay Department deals with the bills payable at headquarters, the paid bills are also sent to the Departmental Section with schedules and are handled there in the same way as vouchers received with a Treasury account. The classified Accounts received from the officers of the Public Works Department, who make payments of bills direct for work done, are received in the Works Audit Section and are then consolidated into a single abstract for the whole account circle separately for Union and State transactions. Similarly, for Forest and some other departmental transactions, classified accounts rendered to the Audit office are consolidated into a single abstract for each department for

the whole account circle.

Detail Book

The first stage of compilation is the posting in the Detail Book of the particulars relating to Debt, Deposit and Remittance transactions appearing in the Cash Accounts and Lists of Payments submitted by Treasuries. The Detail Book is in two parts, the first part is utilised for compiling the Treasury transactions direct from the Cash Accounts and Lists of Payments, and the second part for consolidating the Debt, Deposit and Remittance figures appearing in the various Departmental and other abstracts.

Classified Abstract

The second stage of compilation is the posting in the respective Departmental Classified Abstracts of the receipts and payments shown in the schedules furnished by Treasuries and in the accounts submitted by civil departmental officers. The Departmental Classified Abstracts bring together the monthly receipts and payments pertaining to each department, for the whole account circle, classified under the relevant major, minor and detailed heads of account. Separate classified Abstracts are maintained for each department, each group of small departments or each major head or group of major heads of account relating to any particular department or departments according to local convenience. The transactions adjustable against a department or against a major head not relating to any particular department which are passed on to the Accountant General by another Account Officer through the Exchange or Settlement Accounts as well as all book adjustments against a departmental or other major head which are initiated in the Accountant General's office itself are also incorporated in the relevant Departmental Classified Abstracts so that the Classified Abstracts may include monthly all transactions of whatever nature connected with the receipts and payments pertaining to each department or major head of account.

After the Departmental Classified Abstracts have been completed, the Debt, Deposit and Remittance figures appearing in them are posted in the Detail Book so that the Detail Book may present for the whole circle of account the figures under the various Debt, Deposit and Remittance heads.

Consolidated Abstract

The next stage of compilation is the posting of the figures of revenue

receipts and service payments from the Departmental Classified Abstracts into the Departmental Consolidated Abstracts and of the Debt, Deposit and Remittance figures from the Detail Book into the Consolidated Abstract of Debt, Deposit and Remittance transactions.

The Departmental Consolidated Abstracts show the progressive totals of revenue receipts and service payments month by month under each major, minor and detailed head of account. Separate Consolidated Abstracts are maintained for each department or major head of account or for a group of departments or major heads of account as may be found convenient. The Consolidated Abstract of transactions under Debt, Deposit and Remittance heads shows the progressive totals month by month under each major head as well as under such minor head and detailed heads as may be found necessary.

Abstract of Major Head Totals

The final stage of compilation is the preparation of the Abstract of Major Head Totals from the Departmental Consolidated Abstracts and the Consolidated Abstract of Debt, Deposit and Remittance transactions. The Abstract of Major Head Totals shows by major heads of account the total receipts and disbursements of the account circle during and to the end of the month. The transactions passed on to the Accountant General by other Account Officers through the Exchange or Settlement Accounts are dealt with in Account Currents Sections. These are first entered in Adjustment Registers and then posted in the Exchange or Settlement Account Abstract. From these Abstracts, figures for each head of account affected are posted in the relevant Departmental classified Abstracts or the Detail book, as the case may be.

Transfer Entries

Transfer entries are made in the books of an Accountant General in the following circumstances:
(1) to correct an error of classification in the original accounts;
(2) to adjust, by debit or credit to its proper head, an item outstanding under a debt, deposit or remittance head;
(3) to adjust inter-departmental and other transactions, which do not involve the receipt or payment of cash. The final outcome of these transfer entries relating to a month is worked out in an Abstract known as the Combined Transfer Ledger and Abstract, in which are shown the debits and credits

to be made under each head, the totals of the debits and credits being necessarily equal. The net result of the transfer entries worked out in an Abstract is posted monthly under appropriate heads in the relevant Departmental Classified Abstracts or the Detail Book immediately under the total of cash transactions.

Statement of Disbursers' Account

In the Statement of Disbursers' Account are posted:

(1) the balances and totals as given in the closing abstract of the Cash accounts received from the Treasury;

(2) the total receipts and payments in the departmental and Debt Head abstract which must be equal;

(3) local remittance in transit from the Remittance check register;

(4) the totals from the Abstract of Inward Settlement Accounts (in the States Statements of Disbursers' Account)—Exchange Account abstract (in respect of Union Statement of Disbursers' Account);

(5) figures from the Combined Transfer Entry Ledger and Abstract showing net addition to receipts and disbursements which will be equal; and

(6) balance under Reserve Bank Deposits, Union (in the case of the books of the Accountant General, Central Revenues) and State (in the case of State Accountant General).

The grand total of receipts and payments in the Statement of Disbursers' Account and in the Abstract of Major Head Totals will tally. The former shows the amounts received by all *Accountants* and the latter on all *Accounts*. Reference to the Statement of Disbursers' Account will also be found later under "Technical Accounts".

Technical Accounts

The accounts of Government are based in the main on the single entry system except in regard to the maintenance of a set of technical accounts called the Journal and Ledger where the double entry system is applied. The main purpose of the Journal and Ledger is to bring out by a scientific method the balances of accounts in regard to which Government acts as a banker or remitter, or borrower or lender.

The Journal sets out all the opening balances of the year, then all the transactions of the year month by month as follows :

(1) Sundry Accountants Dr. to Revenue Receipt and Sundry Accounts

(2) Service Expenditure and Sundry Accounts Dr. to Sundry Accountants.

Figures against Sundry Accountants are taken from the statement of Disbursers' Accounts; those against revenue receipts and Sundry and Service Expenditure and Sundry from the Abstract of Major Head Totals and finally all the closing balances of the year.

The Ledger is opened by transfer from Balance accounts to the various Debt and Remittance heads and Personal Accounts the balances with which they closed in the preceding year's Ledger. It is then posted month by month from the Abstract of Major Head Totals for transactions under Revenue, Service and Capital heads and from the Consolidated Abstract for transactions under Debt and Remittance heads. The accuracy of the postings is tested after the closing of the accounts of the year by the preparation of a Trial Balance Sheet.

The object of the Ledger is to bring out the balances under the Debt and Remittance heads other than those which are closed to Government. The posting of Revenue, Expenditure and Capital heads is required only for the purpose of squaring the Ledger. The Revenue Receipts, Service Expenditure, and Capital Expenditure outside the Revenue Account are, therefore, posted by totals only, while such of the Debt and Remittance heads as are closed to Government are posted by major heads. The Debt and Remittance heads which are closed to Balance are posted in detail of Ledger heads. (Each prescribed minor head under Debt and Remittance heads which closes to Balance and each Collector's Account is a separate Ledger head.)

Under the system of book-keeping followed in the Indian accounts, all Ledger heads are closed either to "Government" or to "Balance". All heads whose balances are not carried forward from year to year are closed to "Government". The balance under that head, therefore, represents the cumulative results of revenue, capital and other transactions in respect of which no separate progressive balanced accounts are kept.

The heads "Revenue Receipts", "Service Expenditure" and "Capital Expenditure outside the Revenue Account" are closed to "Government".

The Debt and Remittance heads and Personal Accounts are closed to "Balance", except that the heads, "Reserve Bank Deposits", "Exchange on Remittance Accounts", "Appropriation for Reduction or Avoidance of Debt Other Appropriations", "Remittances adjusted on the Central Books", "Accounts between Civil and Civil", "Accounts between Civil and other Departments", and "Accounts between England and India" are closed to "Government".

Finance Accounts

Each Civil Accountant General works out the progressive figures during the year of the accounts of his State and of the Union Government (Civil) and the annual accounts which he thus compiles for the whole year are submitted to the Comptroller and Auditor General. Similarly, the Accountant General, Posts and Telegraphs, Director af Accounts, Railway Board, and the Controller General of Defence Accounts compile annual accounts of their respective departments and submit them to the Comptroller and Auditor General.

The Annual accounts of each Government, known as the Finance Account, together with the Audit Report thereon are forwarded by the Comptroller and Auditor General, under Art. 151 of the Constitution, to the Government concerned after the close of each year. The Finance Accounts of the Union with the Audit Report is in a single compilation which covers the transactions of Civil, Defence Services and Posts and Telegraphs Departments and the Railways including transactions in the United Kingdom.

Form of the Finance Accounts and Audit Report

The Finance Accounts of each Government and the Reports on them form a single document, and are divided into two sections as shown below, the Report generally preceding the Accounts in each Section.

Section A: General Finance Accounts :
Report
Accounts.

Section B: Debt, Deposit and Remittance Accounts and Contingency Fund:
Report
Accounts.

The Accounts portion of the document is composed of several statements. Under Section A are statements showing:

(1) Statement showing the percentage distribution of revenue and expenditure.
(2) Statement showing the distribution between Charged and Voted Expenditure.
(3) Detailed Account of Revenue by minor heads.
(4) Detailed Account of Expenditure by minor heads.
(5) Detailed Account of Capital Expenditure outside the Revenue Account during and to end of the year.

(6) Investments of the Central Government in Statutory Corporations, Joint Stock Companies, Government Companies, Co-operative Banks and Societies, etc.

(7) Capital and other Expenditure (Outside the Revenue Account) to end of the year and the principal sources from which funds were provided.

Under Section B are statements showing:

(1) Statement of receipts, disbursements and balances under heads of account relating to Debt, Deposits, Remittances and Contingency Fund.

(2) Statement of Debt and other interest bearing obligations of Government.

(3) Statement of Loans and Advances showing the amounts advanced and repaid, interest received during the year and balances of such loans and advances at the commencement and close of the year.

(4) Statement showing the details of earmarked balances.

In order to present a comprehensive survey of the financial administration of the Government, the Audit Report on the Finance Accounts includes a general review of the financial position of the Government as disclosed in the latest audited accounts of both revenue and debt transactions with such remarks on the final financial results as are deemed necessary or expedient. To indicate the existing position, the cash situation has to be explained and in addition the growth or diminution of liability indicated. For this purpose, both revenue and expenditure are analysed suitably and permanent commitments distinguished from those of a temporary character, the former being detailed to the extent necessary and the latter sub-divided as may be suitably. Contingent liabilities, such as estimated expenditure on uncompleted schemes or works, receive special attention. In short, every endeavour is made to convey through the Reports a just and impartial picture of the financial position of the Government without anything by way of praise or blame.

The Finance Accounts commence with a certificate signed by the Comptroller and Auditor General, presenting and authenticating the reports and the accounts. The certificate has to be signed by the Comptroller and Auditor General personally as the documents certified are of considerable importance. Paragraph 19 of the Government of India (Audit and Accounts) Order, 1936, lays down that except during the absence of the Comptroller and Auditor General on leave or otherwise, an officer shall not be authorised to submit on his behalf any report which the Comptroller and Auditor General is required by the Government of India Act, 1935 (now replaced by the Constitution of India) to submit to the President/Governor.

Object of the Report on the Finance Accounts

The object of the Audit Report on the Finance Accounts is to present to the Legislature with the accounts of the entire receipts and outgoings of the Government for each financial year a report on the financial results disclosed by the different accounts and other data coming under examination, that is to say, the revenue and capital accounts, and the accounts of the public debt and of the liabilities and assets of the Government concerned as deduced from the balances recorded in the books of the Account Office and from other information. It supplements the Audit Report on Appropriation Accounts.

An important part of the Audit Report on the Finance Accounts is the Review of Balances of Debt and Remittance heads. The object of the Review is, in the first place, to show a complete enumeration of balances under all Debt and Remittance heads and, in the second place, to examine and set out the current state of accounts under each head.

Combined Finance and Revenue Accounts

Though Art. 151 of the Constitution requires that the Reports of the Comptroller and Auditor General of India relating to the accounts of the Union and of a State shall be submitted to the President/Governor who shall cause them to be laid before the Parliament/Legislature of the State, the provisions of paragraph 12 of the Government of India (Audit and Accounts) Order, 1936, which are still in force pending the enactment of the Audit Act, require the Comptroller and Auditor General to prepare annually a General Financial Statement incorporating a summary of the accounts of the Union and of the State for the last preceding year and particulars of balances and outstanding liabilities, and to submit them to the President. These accounts present on a common and comparable basis the accounts of all the Governments (Union and States) and comprise of:

(1) Abstract Account of Receipts and Payments
(2) Detailed Accounts of Receipts and Payments Part I Consolidated Fund Civil, Railways, Irrigation, Posts and Telegraphs, Defence Services, Debt Heads (Public Debt and Loans and Advances) Part II Contingency Fund, Part III Public Account.

They are prefaced by an introductory note in which brief and general description of the structure of Government Accounts is given in addition to a brief historical survey of the stages leading up to the existing financial and accounting system. The accounts show the transactions

in round sums of rupees.

Reconciliation of Official Accounts with Departmental Accounts

Under the reformed constitution the question of adequate control over grants voted by the Legislature assumed considerable importance. It was clear that no disbursing officer could exercise such control in a satisfactory manner, when accounts were maintained by the Accountant General, unless he himself was in a position to watch the progress of his expenditure from month to month. . In order to ensure the possession by disbursing and controlling officers of adequate information for this purpose, the Government of India, at the instance of the Auditor General introduced the system of departmental accounts with effect from October 1926. Their reconciliation with the accounts compiled by the Accountant General as a regular system came into force from the accounts for 1927-28. The broad features of the system, which is still in force, are as below:

After the Budget and the Appropriation Act are passed by the Parliament/Legislature, the provisions (voted and charged) are placed at the disposal of controlling officers. The controlling officer may either distribute the grant in detail to disbursing officers under him or retain the funds wholly or in part under his own direct control. In the first week of each month every spending officer sends to the Head of the Department or controlling officer a statement giving the details of all amounts drawn by him during the preceding month. All these statements are consolidated in the office of the controlling officer/Head of the Department together with the figures of book adjustments and inter-departmental and inter-governmental transactions intimated by the Accounts officer. In the Centre a copy of the consolidated statement is required to be submitted by the Head of the Departments to the Administrative Ministry by the middle of the same month. Apart from the expenditure actually incurred the controlling officer has also to keep himself informed of all the commitments and liabilities incurred by his officers. The detailed accounts thus maintained departmentally enable the Ministries/Departments to keep expenditure within the limits of appropriation.

The compilation made every month by the controlling officer is required to be compared with the monthly account compiled by the Accountant General direct from the vouchers, all discrepencies fully reconciled, and the necessary corrections made. There are thus two sets of accounts running parallel—one compiled by the department, and the other by the Accountant General. The two are required to be compared and agreed from month to month, the differences being adjusted by necessary action in the Accounts

Office or in the Administrative Department as the case may be. The official account is that compiled in the Accounts Office.

Pro Forma Commercial Accounts

Government Commercial Undertakings in India take one of three forms, *viz.*:

(1) Departmental units
(2) Statutory Corporations
(3) Companies registered under the Company's Act.

The second and third categories have their own juristic personality and keep accounts on commercial principles. Their only points of contact with Government accounts are in respect of capital or loan paid to them out of the Consolidated Fund of Government or when any Government guarantee of the stocks has to be implemented. The first category, however, comes under the normal Government budgetary and accounts system. It is, however, recognised that the ordinary Government system of accounts is unsuitable for recording and controlling their transactions, and indicating at any time the true state of affairs. Government accounts differ from commercial accounts in several aspects, the most important being that they record only receipts and payments as distinguished from actual income and expenditure accruing in a period, do not bring out the balances of store accounts and other classes of assets or liabilities, and do not, in many cases incorporate the results of Government inter-departmental transactions or indirect charges. Books in commercial form, where necessary, are maintained for them by departmental authorities in addition to the ordinary government accounts and Capital, Manufacturing, Trading and Profit and Loss Accounts and Balance Sheets are prepared in accordance with the principles adopted in ordinary commercial practice.

Capital and Revenue Accounts

Expenditure of a capital nature is broadly defined as expenditure incurred with the object of either increasing concrete assets of a material and permanent character, or of extinguishing or reducing recurring liabilities, such as those for future pensions by payments of commuted value. Expenditure on a temporary asset cannot ordinarily be considered as expenditure of a capital nature.

Expenditure of a capital nature as defined above, incurred upon a scheme or project is not classed as capital expenditure in the government accounts

unless the classification has been expressly authorised by general or special orders of Government. Ordinarily, such classification is not permitted unless:

(1) it is essential for the exhibition of financial results of any special service or undertaking on the basis of generally accepted commercial principles, or in some other conventional manner, either that the cost of the service or undertaking may be ascertained or that the full implications of any policy may be clearly demonstrated; or

(2) the expenditure involved is so large that it cannot reasonably be met from ordinary revenues.

When it has been decided by Government that the expenditure on a scheme for the creation of a new or additional asset should be classed as capital expenditure, and that separate capital and revenue accounts should be kept of such a scheme, the allocation of expenditure to capital and revenue is determined in accordance with such detailed rules as may be prescribed by Government according to the circumstances of the department or undertaking in which the expenditure is incurred. The following are the main principles applicable to the treatment of the expenditure in the estimates and accounts:

(1) Capital bears all charges for the first construction and equipment of a project as well as charges for intermediate maintenance of the work while not yet opened for service and bears also charges for such further additions and improvements as may be sanctioned under rules made by competent authority.

(2) Subject to clause (3), revenue bears all subsequent charges for maintenance and all working expenses. These embrace all expenditure on the working and upkeep of the project and also on such renewals and replacements and such additions, improvements or extensions as under rules made by Government are debitable to the revenue account.

(3) In the case of works of renewals and replacement, which partake both of a capital and revenue nature, the allocation of expenditure is regulated by the broad principle that Revenue should pay or provide a fund for the adequate replacement of all wastage or depreciation of property originally provided out of capital grants and that only the cost of genuine improvements, whether determined by prescribed rules or formula, or under special orders of Government, may be debited to Capital. Where under special orders of Government, a Depreciation or Renewals Reserve Fund is established for renewing assets of any commercial department or undertaking, the distribution of expenditure on renewals and replacements between Capital and the Fund should

be so regulated as to guard against overcapitalisation on the one hand and excessive withdrawals from the Fund on the other.

Expenditure on account of reparation of damage caused by extraordinary calamities, such as flood, fire, earthquake, enemy action, etc., is charged to Capital, or to Revenue, or divided between them, in such a way as may be determined by Government according to the circumstances of each case.

(4) Capital receipts insofar as they relate to expenditure previously debited to Capital, accruing during the process of construction of a project are utilised in reduction of capital expenditure. Thereafter their treatment in the accounts depends on circumstances, but except under special rule or order of Government, they are never credited to the ordinary revenue account of the department or undertaking.

Expenditure debitable to Capital is booked under the appropriate capital head of accounts prescribed within or outside the revenue account according as the funds required to meet such expenditure are provided from ordinary revenues or from other sources including borrowed money. As a general rule, the capital cost of all comparatively small schemes is met from ordinary revenues. Borrowed money and other resources outside the revenue account are not ordinarily spent for unproductive purposes unless the following conditions are fulfilled, *viz.*, firstly, that the objects for which the money is wanted are so urgent and vital that the expenditure can be neither avoided, postponed nor distributed over a series of years, and secondly, that the amount is too great to be met from ordinary revenues.

Except under special orders of Government no expenditure previously met from ordinary revenue is transferred to capital head outside the revenue account.

Productive and Unproductive Works

Irrigation, navigation, embankment and drainage works for which capital accounts are kept are classified into productive and unproductive works. Productive works are works of a remunerative character which are expected to yield, within expiry of ten years after the date of closure of the construction estimates, a direct return on the capital invested in their construction calculated at such rate of interest as may be fixed by the Government concerned from time to time. Those works which are not expected to yield the required return are classed as unproductive. The classification (between productive and unproductive works) is, however, dependant on the results of three consecutive years. Thus, if a productive work fails in three successive years to return the prescribed percentage, it is transferred to the unproductive class,

and, conversely, an unproductive work may be transferred to the productive class if it succeeds for three consecutive years in satisfying the criterion of productivity. For purposes of assessing the annual interest on the capital invested, the capital invested includes direct charges, indirect charges and all arrears of simple interest, if any, *i.e.*, balances of total interest over the total net revenue.

Financial Year

The Commissioners of Inquiry into Indian accounts in their report of the 7th September, 1864 went into the question of the period for which the Estimates were prepared and the Accounts were made up. There were then the Calendar year, the Unlie year commencing in June, the Bengal year commencing in the middle of April, the Fusli year commencing on the 10th June, the Madras Fusli year commencing on the 1st July, the Mahommedan and other traditional years, the English financial year commencing on the 1st April, and the Indian Financial year commencing on the 1st May.

This latter year, commencing on the 1st May, probably owed its origin, they thought, to commercial convenience, as the shipping season in India used to close on the 30th April on account of the commencement of the South West Monsoon. No such object had any weight at present, they said, and added that it might be worthy of consideration whether this date was the most convenient for the public Accounts. This seemed very doubtful, for the date was not uniform with that of the English Financial year. It threw the consideration of the Budget and the closing of the Annual Accounts into the hottest period of the year, and sent the Annual Accounts home at a period too late for the consideration of Parliament.

An alteration of the date to 1st April would bring the Budget and the accounts one month earlier, and there would then be uniformity between the English and Indian accounts. But even with this change, the Annual Accounts would arrive in England too late to aid in the Parliamentary discussions on the Indian Budget. This would not be the case if the Indian Accounts were closed on the 31st December, giving them four months for their preparation; they would reach home early in June quite in time for the Parliamentary discussions. The question would be whether, by the end of December, there would have been sufficient time, after the setting in the cold season, for the preparation of the Estimates and of the Budget Statement. There might also be some inconvenience to the Public Works and the Survey Departments, if the Budget year were made to divide their expenditure in the middle of their out-door operations. In some parts of India the collections of Revenues

were made according to the Fusli, or some other native year. In conclusion, they said, that whatever year was fixed upon as the Financial Year of India, should be made universal throughout India, and all Accounts and Collections following the rule of some local year should be converted into the general financial year.

In the same year (1864), a proposition was also made in the House of Commons that, in order to enable the annual statement as to the finances of India, to be made at an earlier period of the session, the official year should be closed on the 31st December instead of, as at then on the 30th April in each year.

After consulting the several Local Governments, and carefully weighing the advantages and disadvantages of the adoption of the calendar year, or of the Fusli year, the Government of India came to the conclusion[21] that it would be best to antedate the Financial year by a month only, thereby making it terminate on the 31st March—the same date as the termination of the official year in England.

By this measure the least disturbance would be produced in the administrative arrangements of the Local Governments and the actual accounts of the year last expired, the Regular Estimate of the current year, and the Budget Estimate of the ensuing year, would all reach England a month earlier than till then. This should allow ample time for the consideration of the details of the accounts previous to the discussion of the India Budget, as under ordinary circumstances, that discussion would not take place in Parliament before the middle of June. The Government of India proposed effecting this change by making the next financial year commence on the 1st April, 1866.

In 1869, the question of a change in the financial year so as to assimilate it to the calendar year was further considered at the instance of the Secretary of State. The Government of India after recounting the circumstances in which 31st March was thought of, as early enough for closing of the year's accounts to facilitate discussion thereon in Parliament, said that while it was now inclined to the opinion that it would have been better to have fixed the 31st December as the termination of the official year, making it coterminous with the calendar year, it was averse to any further change at any rate for the present. Inconvenience of such alterations was very great. The wishes of Parliament could be sufficiently met without any change in the existing official year. Before the Annual Financial Statement was made Government would have 11 months accounts of the Civil income and expenditure and 10 months of Military and Public Works Department receipts and expenditure.

[21] Government of India, Financial Department Despatch to the Secretary of State No. 89, dated the 19th April, 1866 and No. 87, dated the 29th March, 1870.

Though there must always be some delay in obtaining the final figures for the closing month of March, Government could supply to the Secretary of State approximate actual figures of the preceding year before July. The Government of India, therefore, deprecated any change until experience had proved that it could not meet the wishes of Her Majesty's Government satisfactorily without a change.

In July 1870, the Government of India, Financial Department enunciated[22] the principle that, wherever it was possible, the year of Administration Reports should conform, as a matter of great convenience, with the official year.

The question was next considered by the Chamberlain Commission on Indian Finance and Currency of 1915 which suggested that the financial year should start on the 1st November or the 1st January. The Government of India and Provincial Governments were divided in their opinions and it was decided in 1923 not to make any change.

The Estimates Committee in its Twentieth Report (1958) suggested changing the commencement of the financial year to the 1st October. The Government of India could not agree. Any change, it considered, would not prove more suitable for the country as a whole and would break statistical continuity and raise other problems. The 1st of April, thus, still continues as the beginning of the financial year.

Language of Account Keeping

The Commissioners of Inquiry found in 1864 that the intricacies of account keeping were considerably increased by the number of documents written in the vernacular. At Simla and many other stations, the cash transactions were entered three times over, once in Persian, once in Hindi and once in English. It had been affirmed that this repetition of cash entries acted as a check upon the correctness of the accounts, though the same labour devoted to a more complete set of accounts with proper check, in the same language, that is, in English would be more to be depended on, they thought. They were concerned that some of the Treasurer's accounts were kept in a very peculiar manner, the amount of rupees being entered not in figures but in symbols called Rukkum which had much the appearance of words, while the annas and pies were shown in Arabic figures. At Agra and the North Western Provinces the Tahsildar's accounts were kept in Urdu and translated first into Hindi for the Treasury Branch and into English for the General

[22] Government of India, Financial Department Resolution No. 2010, dated the 16th July, 1870.

Books. The Commissioners recommended that every effort should be made to restrict account keeping to the English language and even where the English language could not be used, English figures should be used. Vouchers might be printed in two parts, in vernacular on the left side and English on the right with blanks for filling in variable particulars. That way they could be entered into English accounts without translation. Entries posted from vernacular or from dictation often caused inaccuracies. In the latter case responsibility for any error would not be fixed. The recommendation of the Commissioners came to be adopted in due course.

In 1873, the Government of India issued the direction that, in order to avoid the inconvenience and risk which accompanied the payment upon proceedings recorded in the vernacular languages, and to ensure caution in the issue of such orders, every order issued by a court or office of the payment of money from a Government Treasury should be in English, unless the presiding Officer was not acquainted with the English language. Where the disbursing officer did not understand English and the officer ordering the payment did, the order for payment should be both in the vernacular and in English.

The accounts now kept in Treasuries, Accounts offices and in Departmental offices except at certain lowest levels are generally in English with Arabic numerals, though a percentage of vouchers and sub-vouchers, differing from state to state, is in the regional languages. The Constitution of 1950 devotes a whole part (Part XVII) to the official language and several changes in the existing position regarding the language of Accounts keeping may develop in the future.

CHAPTER XIV

AUDIT

GENERAL

Introductory

The Audit of accounts constitutes the main function of the Comptroller and Auditor General of India. It is for the proper discharge of this function that a special status has been accorded to him in the Constitution. In this connection, the following extracts from a speech delivered by Dr. Pattabhi Sitaramayya, an ex-President of the Indian National Congress, at the Constituent Assembly on the 25th November, 1949, during the third reading of the Constitution Bill, are worth quotation:

> "No matter how perfect your Constitution may be, no matter how numerous may be the checks and the balances and safeguards for the right conduct of business of the future, it is money that counts, and we have to deal with about 370 crores of rupees at the Centre and as much money in the Provinces, and if all this money is not spent aright . . . who is to control this? Is it to be a man who is appointed by the Ministry that should control this? No. The Comptroller and Auditor General must be as supreme and independent as the Judges of the Supreme Court, perhaps even more so. He is not merely an Accountant General, but he represents a judicial authority with a judicial frame of mind, and his acts must be acts of justice between what he considers to be right and what is actually done by the executive. At times he is called upon to criticise the executive and to expose it even to contempt. He should not, therefore, come under the ire of the Government, or of any party, or of the Treasury or of the Finance Department . . . So that today we have installed him as the supreme master, who has his own judgment to look to and who has no frowns or favours to be guided by from outside. . ."

The progressive growth in the independence and status of the Auditor General has been described in Chapter II. Some aspects with reference to his audit functions in their historical background require mention in this chapter. Appropriation audit by itself, however, is dealt with separately in Chapter XV.

Historical Background

Prior to the Reforms of 1919

When in 1860, the Government of India issued orders[1] promulgating the new system of an annual Budget of Imperial Income and Expenditure, it expatiated on its manifold advantages, among which was that the new system laid "the foundation of a real and true method of Imperial Audit". The Government of India said:

> "A definite standard will be laid down by the Budget—a precise authority will be prescribed for everything; a definite limit on every point will have been fixed. Then an Imperial Audit will try every branch of the public expenditure by that standard; will ascertain whether the authority for every item is produced; will observe whether that limit has been transgressed. And as all expenditure is reconsidered and resettled at brief intervals, so will the audit be prompt and concurrent; as the Budget is fixed yearly, so will the accounts based thereon be prepared immediately on the close of each period; and there will be an independent Audit Department, examining the accounts month by month, quarter by quarter, year by year, to truly try and judicially declare whether the financial orders of the supreme finance authority are regularly carried out by the responsible Executive Authority. As the Budget will prescribe a really workable rule, recurring just before the period of expenditure, so the audit, coming, not after an interval too late for amendment, but continuously, and at the moment when alteration is possible, will ensure the rule being worked out."

Audit was not on a statutory basis till the Reforms of 1919 and it is on observations of the Government of India and the Secretary of State and their orders on the reports of various committees and commissions set up from time to time and on the British practice that audit rules and procedures were evolved during this period. Reference has been made in Chapter II to the Committee set up in 1860 and the setting up of an Audit Board which had only a short existence. The Report of the English Commissioners of Enquiry in 1864 and the abolition of pre-audit by Civil Pay Masters and the consequent amalgamation of the posts of Civil Pay Masters with those of Deputy Auditor and Accountant General have been mentioned in Chapter III.

In 1861, while transferring the work of revision and consolidation of the Budget Estimates from the Auditor General to the Financial Department,

[1] Government of India, Financial Department Resolution No. 27, dated the 7th April, 1860.

the Government of India described[2] the duties of the Auditor General as follows:

"In other respects, the duties to be performed by the Auditor General are the same as those originally intended to be imposed upon him; that is to say, he will not only, if a Budget Estimate be exceeded, refuse to pass expenditure in excess of such Estimate, but if he sees monthly expenditure being incurred at a rate beyond the estimate for the year, he will report it to the Financial Department, adding any suggestions with a view to economy, which may occur to him in the course of working the audit."

In 1884, it was decided by the Government of India[3] with the approval of the Secretary of State that besides conducting Appropriation Audit, the Comptroller and Auditor General would also test-audit from time to time the audits of the original audit officers, including offices not under his administrative control, *viz.*, the offices and accounts of the Controllers of Military Accounts (including their Examiners), of the Examiners of Public Works Accounts (including Telegraph) and the Comptroller of the Post Office.

In 1889, in a despatch to the Secretary of State the Government of India described[4] the characteristics of an efficient system of audit in the following words:

"An efficient system of audit must be such as to ensure:

(1) audit against vouchers;
(2) audit against Budget grants;
(3) audit against application of grant;
(4) audit against sanction;
(5) audit against the powers of sanction of the sanctioning authority; and
(6) that all irregular and unauthorised expenditure is brought to notice."

The system in India, the Government said, aimed at the attainment of all these objects and that the audit instructions formulated in the codes in which the duties of audit officers are stated, were founded upon the six principles enumerated above. It will be seen that these practically bring out all aspects of audit against regularity. The conception of audit against propriety was, however, slowly growing. The orders of 1861 contained the germ when they

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[2] Government of India, Financial Department Resolution No 121, dated the 15th June, 1861 and No. 8778, dated the 4th July, 1871.

[3] Government of India, Finance Department Resolution No. 792, dated the 6th May, 1884.

[4] Government of India, Department of Finance and Commerce, Despatch to the Secretary of State No. 229, dated the 3rd August, 1889.

mentioned that the Auditor General could make any suggestions with a view to economy. The idea grew between 1912-14 when there was considerable exchange of correspondence between the Government of India under Lord Hardinge and the Secretary of State on the functions, independence and status of the Auditor General. The Government of India thought[5] that it would be beneficial if at the outset of the new arrangements, the Secretary of State would formulate some general pronouncement as to the manner in which the Auditor General's functions were to be performed under the new conditions. Larger powers had been granted in 1914 to Audit officers in regard to objections on trifling matters and the Auditor General had been given authority to waive petty references to the Secretary of State in certain classes of cases. The Government of India thought that underlying all the strictness which was admittedly necessary to the due performance of audit functions, there should be a constant appreciation on the part of the Audit officer himself of the fact that efficient audit was only valuable as an instrument of efficient and economical administration, and that methods which might convert audit into an actual impediment to administration should either be relaxed in the exercise of such discretion as the Secretary of State might be prepared in the future to confer upon the Auditor General, or be brought to notice with a view to the introduction, under proper sanction of a better practice. Audit, again, should not confine itself to externals, but should bring to light those defects and possibilities of improvement which are beyond the scope of mechanical rules. The Auditor General was recognised as responsible for audit efficiency and it was considered advisable, on the initiation of the new system to have a clear understanding which would tend to prevent in the future an undue and exaggerated formalism which would not be in the ultimate public interest.

The Secretary of State was in sympathy with the objects the Government of India had in view. Objections on trifling matters could be avoided, he thought, by enlargement either of the sanctioning powers of administrative authorities or of the discretionary powers of the Auditor General and other Audit officers. Regarding the duties of the Auditor General falling outside the scope of audit work in its narrower sense, the Secretary of State said that it had been recognised[6] in the United Kingdom that such duties should not be excluded from the province of the Chief Officer of Audit. It had also

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[5] Government of India, Finance Department Despatch to the Secretary of State No. 210, dated the 25th June, 1914 and Secretary of States Desptach No. 82 (Financial), dated the 31st July, 1914.

[6] Epitome of the Report from the Committee of Public Accounts (U.K.), dated the 9th February, 1911, p. 207 and Report of the Select Committee of the House of Commons on Public Expenditure 1903, p. V.

been recognised in the United Kingdom that their discharge required very great discretion since there was a risk that in bringing to light defects and possibilities of improvement beyond the scope of mechanical rules, the Audit officer might trench on the province of administrative authorities. The Secretary of State said that he would rely on the Chief Officer of Audit in India to exercise the judgment needed to avoid that risk. If in any case the Government of India felt that he had allowed himself too wide a scope, it would be open to it to represent its views to the Secretary of State, for his comments and decision.

In 1918, the discretionary powers of the Auditor General to waive a reference to the Secretary of State in certain circumstances where expenditure requiring his sanction had already been incurred without such sanction were extended to cover cases where there had been no outlay before they came to his notice.

From the Montford Reforms, 1919 to the Government of India Act, 1935

The background to the audit provisions in the Act of 1919 was a memorandum on Treasury Control and Audit prepared by Sir James Meston, who later became famous for his Meston Settlement. Meston stated that "sound and upright finance, with due publicity of working, is essential to the success of popular administration; and Ministers will find themselves very dependent on a powerful agency of financial control. They will require virile independent audit conducted on the recognised principles of financial ethics quite as much as on codes". He strongly recommended an audit of public accounts by an Auditor General independent of both the popular ministers and the Executive. The spirit which should animate audit in future was explained in paragraph 77 of the first despatch of the Government of India on Reforms of the 5th March, 1919 in the following words:

> "In place of the formal examination of authorities, the work should be conducted with greater regard to the broad principles of legitimate public finance. The audit will not only see that there is quoted authority for expenditure, but will also investigate the necessity for it. It will ask whether individual items were in furtherance of the scheme for which the budget provided; whether the same results could have been obtained otherwise with greater economy, whether the rate and scale of expenditure were justified in the circsumstances, in fact it will ask every question that might be expected from an intelligent tax payer bent on getting the best value for his money. The Audit officers will also devote more of their time to looking into the manner in which the various executive

officers are undertaking their more important financial responsibilities."

On this basis Section 96D(1) of the Government of India Act, 1919 was drafted. It provided for an Auditor General "in India" to be appointed by the Secretary of State in Council, and to hold office during His Majesty's pleasure and empowered the Secretary of State in Council to make rules about the Auditor General's pay, powers, duties and conditions of employment. Rules 10 to 17 of the rules so formulated on the 4th January, 1921, and known as the Auditor General's Rules regulated the duties and powers of the Auditor General as regards Audit. Thus for the first time audit was put on a statutory basis.

Subject to any general or special orders of the Secretary of State in Council, the Auditor General was made by Rule 9 the final audit authority "in India" and responsible for the efficient audit of expenditures "in India". The Auditor of the Home Accounts had existed ever since the Queen's proclamation of 1858. He submitted his audit reports to the British Parliament and was independent of the Indian Auditor General.

The next rule gave the Auditor General powers to inspect personally or through any Audit officer any Government office of accounts in India and to arrange for test-audit in any such office. It also empowered the Auditor General to frame rules in all matters pertaining to audit, particularly in respect of the method and extent of audit and the raising and pursuance of objections. This was, however, subject to any orders of the Secretary of State in Council prescribing the nature and extent of audit to be applied to specified classes of expenditure. The object of this condition was to enable Government to restrict the nature and extent of the audit which should be applied to such expenditure which was met from secret service funds.

Rule 10 laid down certain canons of financial propriety for his guidance. They had to be followed irrespective of any other checks the Auditor General deemed fit to apply. The canons were held to be so important that they were stated in the rules framed by the Secretary of State. The canons clearly brought out that audit was not to be confined to a scrutiny based on regularity and fidelity but was to look into the propriety aspect of financial transactions, see that broad public policy was not contravened, or essentially wasteful expenditures made. It might have been possible for the Secretary of State to insist that every breach of any of the canons should be referred to him but he refused to accept this position and deliberately decided that he would not interfere with transferred subjects to that extent and, therefore, he left that duty to the Legislative Council acting through the Public Accounts Committee. He accepted the same principle with regard to the reserved and central subjects. The Auditor General was made responsible that audit

was conducted with reference to the canons. The canons were:

"(1) Every public officer should exercise the same vigilance in respect of expenditure incurred from Government revenues as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

(2) Money borrowed on the security of allocated revenues should be expended on those objects only for which, as provided by rules made under the Act, money may be so borrowed. If the money is utilised on works which are not productive, arrangements should be made for the amortisation of the debt.

(3) No authority should exercise its powers of sanctioning expenditure to pass an order which will be directly or indirectly to its own advantage.

(4) Government revenues should not be utilised for the benefit of a particular person or section of the community unless—

(*i*) the amount of expenditure involved is insignificant, or

(*ii*) a claim for the amount could be enforced in a court of law, or

(*iii*) the expenditure is in pursuance of a recognised policy or custom.

(5) No authority should sanction any expenditure which is likely to involve at a later date expenditure beyond its own powers of sanction.

(6) The amount of allowances, such as travelling allowances, granted to meet expenditure of a particular type, should be so regulated that the allowances are not on the whole sources of profit to the recipients."

These canons had developed mostly as a result of the experience gained in the office of the Auditor General in the evolution of the numerous audit decisions that had been issued during the previous six or seven years.

The first, *viz.*, the extravagance canon was the most difficult one to apply in practice, since it stated that every public officer had to exercise the same vigilance in respect of expenditure incurred from government revenues as a person of ordinary prudence does in respect of his own expenditure. An Audit officer challenging an expenditure under this canon would normally be at a disadvantage since "ordinary" prudence is subjective and the executive officer being closer to facts should easily demolish an audit objection on this score if not based on a deep, intelligent and careful study of them. As the Auditor General in a lecture in 1921 explained, if a grant of a compensatory allowance of Rs. 50 per mensem could be challenged on the ground that the case deserved only Rs. 45 per mensem, then the Executive Government would come to a standstill. Audit officers could only challenge a flagrant breach of the canon.

The classic instance which established the right of audit to intervene in

essentially wasteful, but otherwise valid transactions and on which the canon could have been based occurred in England in 1887, when the War Office cancelled a contract for ribbon at fourteen shillings with one firm and gave out another contract to another firm for similar ribbon at twenty shillings. The audit objection was upheld by the Public Accounts Committee. The example describes perfectly the circumstances and type of objections that can be raised under the extravagance canon.

The second canon which dealt with borrowing was quite new. Local Governments had not had such powers in the past. It required practically a sinking fund for any unproductive expenditure and debarred unspent loan funds from being utilised for non-capital purposes.

The third canon that no authority should exercise its powers of sanctioning expenditure to pass an order which would be to its own advantage, seems commonsense but it was based on a specific instance. The Government of India made some rules for increasing the travelling allowance due to members of the Viceroy's Executive Council when travelling in their own reserved carriages. Under the then existing delegation of powers the Central Government was the final authority for fixing the rates of travelling allowance. The Auditor General, however, stated that whatever might be the position with regard to the plenary authority in the hands of the Governor General in Council in respect of travelling allowance, in principle it was incorrect for the Executive Council to pass orders in the matter, because the members and nobody else directly benefited by its decision. The Secretary of State upheld the objection and himself determined their travelling allowances.

The fourth canon arose almost simultaneously from two or three cases in 1912. During the Delhi Durbar in 1912, a polo ground was prepared for exhibition to the King Emperor. After the Durbar it was retained at state expense. The Audit officer at Delhi objected to expenditure on maintenance from Government funds because only a very limited number of people playing polo benefited by the expenditure and they should properly bear it. His view was upheld at Whitehall and formed the basis of the canon stating that government revenues should not be utilised for the benefit of a particular person or a section of the community, unless the amount involved was small, or could be enforced in a court of law, or was in pursuance of some recognised policy or custom. The last qualification was necessary since for historic reasons the Government paid numerous political pensions and grants to certain religious bodies and charitable and religious institutions. The Main Audit Resolution, as it was called which governed the powers of sanction of the Government of India prior to the Reforms of 1919 laid down that the sanction of the Secretary of State would be required to any expenditure of an

unusual nature or devoted to objects outside the ordinary work of administration except where that resolution itself granted the necessary authority to the Government of India. The Provincial Audit Resolution also laid it down that nothing must be carried out by means of public funds for the advantage of any individual or body of private persons unless in accordance with some declared or established rule or principle recognised by the Government of India. Canon four largely followed these provisions.

Another provision in the Main Audit Resolution was that the Secretary of State's sanction was required to any expenditure likely to involve at a later date expenditure beyond the powers of sanction of the Government of India. This was embodied in canon five.

Canon six stipulating that compensatory allowances should not on the whole be a source of profit to the recipients gave authoritative expression to a principle already recognised in sundry places (*e.g.*, Art. 995 Civil Service Regulations). The intention was that with the restriction contained in this canon, Local Governments might be left to sanction all allowances which were not remunerative.

Rule 10(b) made it the duty of the Auditor General or the Principal Auditor to bring to notice of the Government of India or Local Government any breach of one of these canons. Proviso to Rule 14(b), however, debarred him from enforcing this category of objections to the point of recovery and empowered the Finance Department to require him to withdraw the objection on a promise to bring the matter to the notice of the Committee on Public Accounts.

Rule 11 read with Rule 30 provided for all sanctions of expenditure accorded by the Governor General to be audited under the immediate supervision of the Auditor General himself. Such Central audit, it was thought, would impose uniformity in a very important aspect of his work. No disciplinary action could be taken by the Governor General against the officers actually carrying out the Central audit of sanctions unless the Auditor General first agreed. The Auditor General himself was independent of the Government of India but the measure sought to give protection to his officers who directly risked incurring the displeasure of the Central Government.

Expectations of a high standard of sanction audit did not materialise. The Central audit officer for the Government of India sanctions, insufficiently familiar with local conditions, sometimes missed several points which the Provincial Accountant General, on the strength of his intimate knowledge, was able to raise. The system was dilatory because the Central audit officer held up the sanctions for a week or two before passing them on to the Provincial Accountant General, who finally admitted the expenditure allowed by

the sanctions. Sometimes the Central auditor raised objections which the Provincial Accountant General did not know. The latter earned the ill will of the executive authorities for he was not able to release the funds asked for, or explain what exactly was objectionable in the sanction. From the 1st April, 1923, the system was scrapped after it had existed for just two years and the two rules were cancelled.

Rule 12 provided for the Governor General in Council requiring the Auditor General to undertake audit of receipts, stores and stock and grants of land or alienations of land revenue. While audit of expenditure was his direct responsibility, audit in the field referred to above became his responsibility only if the Governor General in Council required him to do so. This was done on the analogy of the English Audit and Exchequer Act regulating the functions of the Comptroller and Auditor General in England.

Rule 13 gave the Auditor General necessary powers of local inspection of books, papers and writings for his audit. Rule 14 empowered him to instruct his Principal Auditors to withdraw a disputed objection or enforce recovery or production of proper sanction. Rule 15 made it possible for him to arrange to get Audit and Appropriation reports from Principal Auditors and to forward them with his comments to the Central and State Governments for being placed before their Public Accounts Committees. The rule also made it his responsibility to send to the Secretary of State through the Governor General in Council the several reports dealing with the total expenditure in India. Rule 16 empowered him to review on his own motion any audit decision by his Audit officers and over-rule it if he thought fit and made it obligatory on him to review such decision if referred to him by the Government of India or Local Government. Rule 17 related to secret or confidential documents.

The Auditor General's[7] rules came into force from the 4th January, 1921. Rules in substitution were made by the Secretary of State in Council on the 13th April, 1926 but had effect from the same date as the previous rules. The rules dealt with in the preceding paragraphs got renumbered as 9 to 17 omitting old rule 11.

In 1928, while forwarding to the Secretary of State the Appropriation Accounts for the year 1926-27 and the Reports of the Audit Officers thereon, the Auditor General brought to notice one defect in the Auditor General's Rules as regards canon five of financial propriety. The application of this canon merely determined the authority which could accord sanction to

[7] Government of India, Finance Department Resolution No.1448-E.A., dated the 29th September, 1922 as amended by Resolution No. F.7-XI-EXI/28, dated the 26th March, 1929 and Notification of same number and date amending the Auditor General's Rules.

particular expenditure. In a case of a breach of this canon, Audit had to bring it to notice of Government. If the matter was not redressed by such a report, all that Audit could do was to get it reported by the Finance Department to the Public Accounts Committee. This would hardly be the proper course in cases in which the Secretary of State was the authority who should have accorded the sanction. The Audit Resolutions and the various Books of Financial Powers were the proper places for this provision, in which case Audit could call for the requisite sanction of higher authority, and not the canons of financial propriety. Both the Government of India and the Secretary of State accepted this view and the provision was dropped from the canons and included in the Central and Provincial Audit Resolutions and Book of Financial Powers.

The Reforms of 1935 to Independence, 1947

Sections 166 to 171 of the Government of India Act, 1935 dealt with Audit and Accounts. Section 167 which contained provisions for Provincial Auditors General which were never implemented and Sections 168-171 have been dealt with in other chapters. Under the last mentioned section audit of the accounts of the Crown Representative was made the responsibility of the Auditor General. Section 166 provided for the regulation of the duties and powers of the Auditor General by an order of His Majesty in Council. The provisions of this order relating to audit duties have been quoted in Chapter I. Most of the paragraphs in the Order in Council of 1936 were based on the corresponding provisions in the Auditor General's Rules of 1921 with such notifications as had been considered necessary to meet the requirements of the new Constitution. The more important changes are dealt with below:

The Auditor General's Rules described the Auditor General as the "final audit authority and responsible for the efficiency of audit", phrases which the Auditor General in 1933 thought did not take one far or on analysis were found to reflect a position which was not really correct. He thought that it would be found advantageous to follow the wording of the provisions in this respect of the Exchequer and Audit Act (U.K.). The following wording was accordingly adopted in paragraph 13 of the Audit and Accounts Order:

"It shall be the duty of the Auditor General:

(*i*) to audit all expenditure from the revenues of the Dominion and of the Provinces and to ascertain whether moneys shown in the accounts as having been disbursed were legally available for and

applicable to the service or purpose to which they have been applied or charged and whether the expenditure conforms to the authority which governs it;

(*ii*) to audit all transactions of the Dominion and of the Provinces relating to debt, deposits, sinking funds, advances, suspense accounts and remittance business; and

(*iii*) to audit all trading, manufacturing and profit and loss accounts and balance sheets kept by order of the Governor General or of the Governor of a Province in any department of the Dominion or of the Province;

and in each case to report on the expenditure transactions or accounts so audited by him.

(2) The Auditor General may with the approval of, and shall if so required by, the Governor General or the Governor of any Province audit and report on :

(*i*) the receipts of any department of the Dominion or, as the case may be, of the Province; and

(*ii*) the accounts of stores and stock kept in any office or department of the Dominion or, as the case may be, of the Province.

The Governor General or the Governor of a Province may after consultation with the Auditor General make regulations with respect to the conduct of audits under this sub-paragraph."

The Rule in the Auditor General's Rules relating to canons of financial propriety were omitted in the new order because the Auditor General strongly held that audit against propriety was as much a financial audit as audit against regularity and against appropriation. It was not an administrative or an efficiency audit, but within the legitimate scope of financial audit. The phrase "the expenditure conforms to the authority which governs it" introduced in the Order covered both audit against regularity and against propriety. The interpretation was derived from British practice in a decision recorded by their Public Accounts Committee. But there were historic reasons as well for excluding the canons from the Order. Audit in India for a very long time had been conducted in accordance with the canons which had become to a large extent a part of the financial rules and codes. A separate enunciation had only been made in 1920 in order to stress the importance of the propriety rules and bring them prominently to notice at the stage when an experiment was being made in provincial autonomy. By 1935, the principles had existed for a sufficiently long time and there was little need to mention them in the same way as before.

Para 13 of the Audit and Accounts Order made the Auditor General

responsible for the audit of expenditure from the revenues of the federation and the provinces. An exception in the case of secret service expenditure was provided by para 18 under which the Auditor General had to accept a statement of facts certified correct by the Governor General or the Governor. A problem which arose in drafting the Order was whether personal allowances of the Governor General or a Governor should be audited and, if so, in how much detail. The Secretary of State was reluctant to remove them from the scope of audit by the Auditor General. The extent of audit to be applied to a particular case should, he said, be determined by the Auditor General himself. There was little doubt that in case of these personal allowances the Auditor General would not require more than a certificate to the effect that the amounts had been spent for the purposes for which they were intended but it would not be proper to diminish the scope of audit by any Order in Council.

Under the Auditor General's Rules, the Auditor General could obtain any "books, papers or writings" relating to the accounts audited by him. The new rule was that only "books and documents" were available to the Auditor General. It was thought at the time that the term "books and documents" gave the Auditor General all the power he required to discharge his audit functions properly. The Central and the Provincial Governments were required to supply to the Auditor General, free of charge, their budget estimates and other publications, which the Auditor General might require for his audit. The clause was included because previously in one instance a local Government had refused to supply the Auditor General with their budget estimates on the grounds that its publication department was a commercial one which would charge money for supplying its publications.

Under the Auditor General's Rules, the Auditor General had to forward to the Secretary of State together with his comments the several reports dealing with the total expenditure in India. The changed position of the Central Government and the Legislature after 1935 made it unnecessary for reports to be sent to the Secretary of State. The Audit Order accordingly omitted this provision.

Under the Auditor General's Rules, the Auditor General had to arrange for audit of receipts and stores and stock only if required by the Governor General in Council. Under the new Order, the Governor of a Province could also so require such audit. The earlier rule requiring the Governor General's Orders for the audit of even the provincial receipts was apparently based on the idea that the Auditor General being an officer of the Central Government should not be required to undertake any duties or responsibilities other than those prescribed in the rules without the Governor General's previous sanction. The legal position, however, was that the fact that the

Auditor General would be paid by the Centre would not put him on the footing of a Central employee and that he could perform duties of the same character for the Provinces as for the Centre without any specific direction from the Central Government in each case.

Another change was that while the Auditor General's Rules were silent on the point of extent and nature of audit to be conducted in such cases, the new Order provided that the audit in such cases should be conducted according to such regulations as might be made in this behalf by the Governor General or Governor, in consultation with the Auditor General.

Concordat

"A statement of the relations of Audit with the Executive Government" under the Government of India Act, 1955 as accepted by the Auditor General and the Finance Department of the Government of India, otherwise known as the Concordat, which was regarded as a voluntary convention concluded by the two consenting parties, namely, the Finance Department and the Auditor General, came into force from the 1st April, 1937. The purpose in view was to provide for an effective instrument of co-operation between the Auditor General and the Finance Department of Government in the distribution of financial control between the three principal financial authorities, namely, the Government in the Finance Department, the Auditor General and the Legislature. The measure rested on the more or less definite assignment to the Finance Department of a superior position with respect to the other departments of the Government in financial matters, and the limitation of the functions of the Public Accounts Committee to the scrutiny of the Appropriation Accounts and the consideration of such topics as under English practice were dealt with by the Public Accounts Committee. The intention of the Concordat was primarily to regulate policy in the early stages of the constitution and it was framed on lines which seemed likely to its authors to be acceptable more or less permanently.

The Concordat was divided into two parts one dealing with powers directly exercised by the Secretary of State, and the other with matters within the powers of the Government of India.

In the first case the Auditor General was supposed to be acting on behalf of the Secretary of State and could compel a reference to the Secretary of State where in the course of audit he found that any authority in India had usurped a power retained absolutely by the Secretary of State. This part of the Concordat was of less importance as such powers concerned mainly the protected services.

For the second part, the Executive Governments in India were to be regarded as consisting of the Finance department and other departments. If any of the other departments exceeded the financial powers delegated to it or exercised its powers in a manner which the Auditor General thought was open to objection, the Auditor General would bring such cases to the notice of the Finance department. An *ex post facto* sanction of the Finance department to regularise the error would result in the mistake being excluded from the Audit Report. Actions of the Finance department would not be openly and formally questioned by the Auditor General except in three specific cases: first, if the Finance department had done something illegal; secondly, if its action was evidently *mala fide*; and thirdly, if the Auditor General considered its conduct so contrary to the vital interests of the State and of such importance that he would consider himself justified in deliberately incurring the risk of bringing down the Government by exposing it.

The Finance department agreed to join forces publicly with Audit in condemning serious financial irregularities of other departments. Finance would not, as a matter of course, accord *ex post facto* sanction in circumstances where originally they would not have been prepared to give a sanction. The Auditor General would restrict his reference in his Appropriation Reports in individual matters to cases of real importance and cases where irregularities had been rectified would not appear in it at all. All financial material and financial comment not within the strict scope of the Public Accounts Committee would in future be eliminated. There were some other provisions also regarding presentation of the financial material, if required, to the Government for presentation to the Legislature but not in stated terms to the Public Accounts Committee and regarding certification of Finance Accounts.

Similar Concordats with Provincial Governments followed.

Carrying the story further for convenience here itself, after Independence in 1947, conditions changed completely and the control of the Secretary of State over the Government of India became non-existent.

Later opinion was that the Concordat was of doubtful propriety even under the Government of India Act, 1935. It was entirely unconstitutional under the Constitution of India. No such agreement existed in the United Kingdom between Audit and the Government limiting the former's discretion in any manner as to the comments the Comptroller and Auditor General may make in his Audit Reports to the Parliament on the accounts of the Executive Government including the Treasury. The first Comptroller and Auditor General under the Constitution held that it would be entirely improper and unconstitutional on his part to be bound by any pact with the Executive Government of the day, which fettered his discretion or judgment in any

manner as to the matters which he might bring to the notice of Parliament or the State Legislatures in the discharge of his duties. He accordingly revoked the Concordat on the 17th April, 1950 and informed the Union Finance Ministry and the Finance Departments of the State Governments and the concerned Audit officers that it was no longer in force.

Independence 1947 to the Constitution, 1950

With Independence the Crown Representative ceased to exist and the Auditor of Indian Home Accounts, a statutory authority before the achievement of Independence, came under the administrative control of the Auditor General like any other Audit officer in India. The Audit and Accounts Order of 1936 was adapted by the India (Provisional Constitution) Order, 1947.

The Partition of the country and the Integration of Princely States with their effect on the jurisdiction of the Auditor General have been referred to in the preceding chapter.

Constitution, 1950

Pending an enactment by the Parliament under Art. 149 of the Constitution, the audit duties and powers of the Comptroller and Auditor General continue to be governed by the Audit and Accounts Order of 1936 (*see*, however, Section E. Audit of Public Enterprises) except where it is inconsistent with the specific provisions in the Constitution as explained in Chapter I. Special mention may also be made here of the fact that the Comptroller and Auditor General of India has, before he enters upon his office, to make and subscribe an oath or affirmation in the same form as a judge of the Supreme Court. While the first portion of the oath requires him duly and faithfully and to the best of his ability, knowledge and judgment to perform the duties of his office without fear or favour, affection of ill will, the latter portion requires him to uphold the Constitution and the laws. This has placed on him a special responsibility of his own for the interpretation of laws, regulations and statutory rules, the application of which comes within the purview of Audit. The position taken by the Auditor General in this matter has, therefore, been that while the views of the Legislative Departments of the Union and State Governments in India and the Law Officers were entitled to very serious consideration by him and his officers, they should not be accepted blindly without consideration. The Comptroller and Auditor General holds a position independent of the Government and under the oath of his office is required to report to the Legislature any acts coming within his

purview which in his judgment involve an infraction of the Constitution, Laws and Statutory Rules. The Law Department and the Law Officers are after all the limbs of Government and their views cannot in all circumstances be regarded as wholly independent in any case. In a democratic constitution, the considerations stated above attain special importance. The only authority whose interpretation of any of the provisions of the Constitution or laws thereunder would prevail over those of the Comptroller and Auditor General, is the Supreme Court. In U.S.A., the Controller General is provided a Legal Adviser of his own and has not to seek or necessarily abide by the advice of the Law Officers of the Government of U.S.A.

CHARACTERISTICS OF THE AUDIT BY THE COMPTROLLER AND AUDITOR GENERAL

Dual Role

The Indian Audit Department on behalf of the Legislatures secures that the Executive Government and its subordinates act in accordance with the Law, views and requirements of the Legislatures. More of this is contained in Chapter XV where the compliance with the Appropriation Laws is dealt with. Audit also verifies that financial rules and orders framed by the Executive Government satisfy the provision of the Law and are also otherwise free from audit objections. On behalf of the Executive Government Audit checks compliance by its subordinates with the rules and orders issued by it.

Financial not Administrative Audit

While it is not intended that the Audit should encroach upon purely administrative matters or range over the entire field of administration, it is considered its duty to see that administrative action is not only in conformity with prescribed law, financial rules and procedure but it is also proper and does not result in any extravagance, loss or infructuous expenditure. The expression financial audit includes audit against propriety or broad principles of orthodox finance. The canons of financial propriety, since merely known as universally accepted standards of financial conduct or financial administration, have been dealt with earlier. This is an aspect that distinguishes the Auditor General's audit from the audit conducted by the Public Auditors. The Central Public Accounts Committee considered it exhaustively in 1962 with other questions and gave its views in a detailed manner in Chapter VIII of its Fourth Report (Third Lok Sabha) which is reproduced as Appendix IV.

Financial audit also includes achievement audit. The Central Public Accounts Committee in paragraph 18 of its Eighteenth Report (Second Lok Sabha) desired that the Annual Reports on the working of Autonomous Boards, which receive large sums of money voted by Parliament as grants-in-aid should be placed before Parliament. In respect of these Boards the Comptroller and Auditor General undertakes in addition to normal expenditure audit, achievement audit indicating *inter alia* their original targets and achievements. The principle applies to many other fields of expenditure and of late great stress has been laid in the Audit Department on "performance audit". The present Comptroller and Auditor General in a speech at Simla on the 28th October, 1961, after referring to performance audit as a facet of the discretionary audit that is conducted in his Department went on to observe as follows :

> "With the change in the pattern of governmental expenditure it is necessary that expenditure on different schemes should be examined in Audit to ascertain whether: (*i*) such schemes are being executed and their operations conducted economically; and (*ii*) they are producing the results expected of them. Delay in the execution of plans and programmes cost the nation much more than, for instance, an increase in the cost of execution by a few thousand rupees. It is not that the interest of economy should be sacrificed but it has to be balanced against other factors. It is the overall picture that really matters and not the individual components. It has to be seen how far the target dates have been achieved, how the final costs compare with the results obtained in respect of similar schemes in other fields in the public sector or the data available from the private sector or the landed cost of similar imported articles, how far the physical targets have been achieved and how far the financial returns which had been anticipated have been actually realised. Thus in the case of Irrigation-cum-Power projects it should be ascertained if the estimated supply of water for irrigation purposes and power has actually become available as a result of the completion of the Project and whether the actual utilisation is to the extent anticipated. Similarly in respect of any training scheme it is relevant to see whether the anticipated number of persons are being trained every year in a technical centre and getting absorbed in the trade concerned to the extent anticipated. Though the broad principles of performance audit can be laid down, the detailed technique will have to be evolved having regard to the nature of the scheme and the purpose which it is designed to serve. It will require some new thinking and initiative and its effectiveness will depend not only on the direction which comes from the

top but also on the men who would be in intimate and day to day touch with the audit of the transactions of the various schemes and programme."

Test-Audit

Audit is conducted to a large extent centrally in the Audit Office supplemented by audit locally of the initial accounts kept in departmental offices. The Audit, however, by and large is a test-audit. Even on such a basis, the Audit Department has to employ over 40,000 persons and if full audit were to be thought of the manpower and the expenditure involved will present a formidable problem. It was in 1921, after the First World War and the Montford Reforms that to cope with the increased work in Civil Accounts offices, it was decided to curtail audit and percentages for audit were prescribed. Work has been increasing since then and percentage or test-audit has come to stay. The extent of curtailment is now regarded as secret and the extent of audit may be enhanced in special circumstances. Even the processes of audit as laid down by the Comptroller and Auditor General have latterly been considered as not for public but for departmental information only. They are, therefore, only very broadly dealt with in the later portions of this chapter. All rules and directions issued by the Comptroller and Auditor General in the form of code rules or otherwise in respect of the method and extent of audit derive their authority implicitly from the provision of the Audit and Accounts Order, 1936 read with Art. 149 of the Constitution.

INSPECTIONS AND LOCAL AUDIT

Audit conducted in an Audit office is largely dependent for its efficiency on the degree of care exercised by the departmental authorities over the accuracy of the original records. Further, with the accounts submitted to audit certain original records are not received and audit is conducted to a certain extent on certificates recorded by the departmental officers. Consequently, in order to review such original records and to test the degree of care exercised by the departmental authorities regarding their accuracy and proper maintonance audit undertakes periodical inspections. During such inspections, such accounts, vouchers, etc., as are not audited in the Audit office or as cannot be adequately checked except in local inspections are also test-audited.

Offices coming under this class of inspection are, Treasuries, Public Works Divisions, Posts and Telegraphs offices, etc.

Audit also undertakes local audit of initial accounts maintained in Government institutions and offices in cases in which the audit in the Audit office is not feasible and also of the accounts of local or quasi-public bodies in certain cases and Public Enterprises.

(A) Audit of Expenditure

General

The audit of expenditure mainly consists in seeing whether the following essential conditions are fulfilled:

(1) that the expenditure is covered by sanction, whether special or general, accorded by competent authority;

(2) that it conforms to the relevant provisions of the Constitution or laws thereunder, and with financial rules and regulations framed by the competent authority;

(3) that it is covered by provision of funds authorised by the competent authority and is within the purpose for which the grant was intended to provide;

(4) that the demand is supported by a voucher in proper form and the person to whom the payment has been made has duly acknowledged the payment and the fact of payment has been so recorded as to make a second claim on the Government impossible; and

(5) that the expenditure has been incurred with due regard to the broad and general principles of financial propriety.

The Indian Audit and Accounts Department is entitled to receive a copy of an order sanctioning expenditure, or a sanction which is otherwise to be enforced in audit, from the authority competent to accord the sanction. The procedure of communicating sanctions of Government to Audit is determined by the Rules of Business of the Government concerned and is embodied in the General Financial Regulations.

In smaller matters, such as contingent expenditure, sanction is regarded as being accorded by the signature or the countersignature on a bill; and in such cases it should be seen in audit that no item in the bill actually requires the sanction of an authority higher than the signing or the countersigning officer.

In the audit of sanctions to expenditure, the guiding principles observed in the Indian Audit Department are:

(1) if the sanctioning authority is vested with full powers in respect of a certain class of expenditure, a sanction accorded under those

powers can be challenged by Audit only on grounds of propriety;

(2) if it is vested with powers which may be exercised provided due regard is paid to certain criteria which are expressed in a general form, sanctions accorded under those powers can be challenged by Audit:

 (*i*) if the disregard of the criteria is considered to be so serious as to make the sanction perverse, *or*

 (*ii*) if the facts of the case are such as to make the Audit officer confident that one or more of the criteria have been disregarded;

(3) if it is vested with powers which are expressed in precise terms the Audit officer is bound to ascertain that the order defining its powers is obeyed exactly in every instance;

(4) for the purpose of financial sanction, a group of works which forms one project is considered as one work, and the necessity for obtaining the sanction of higher authority to a project is not avoided by reason of the fact that the cost of each particular work in the project does not require such sanction; and

(5) if any one item of a scheme requires sanction of a higher authority, Audit should hold under objection any expenditure on that item until sanction to it is obtained, and in determining whether objection should be raised to expenditure on any other portion of the scheme prior to the receipt of such sanction Audit should see that the expenditure is not likely to exceed at a later date the limit up to which sanction can be accorded by the original sanctioning authority.

In scrutinising sanctions and orders for the grant of additions to pay and other special concessions and allowances, Audit, besides considering the competency of the authority in relation to the provisions of the Constitution and of the laws, rules or orders made thereunder, is required to examine carefully the reason for the grant of the special pay, allowance or concession, as recorded in the sanctioning order (or as communicated to it confidentially by the sanctioning authority if any such arrangement exists), and should question the propriety of such sanctions if it considers that the principles laid down in the relevant service rules for the grant of such special pay, concessions, etc., have not been observed. No challenge should be made, however, except on the basis of a specific provision in the relevant rules.

Sanctions with a long period of currency as well as sanctions of a permanent nature require to be reviewed periodically so that, if there is any reason to think that the administrative authority concerned should be invited to review the sanction, such action may be taken.

Audit against Rules and Orders (Audit against Regularity)

The work of Audit in relation to regularity of expenditure is of a quasi-judicial character. It consists in seeing that expenditure conforms to the relevant provisions of the Constitution and of the laws and rules made thereunder and is also in accordance with the financial rules, regulations and orders issued by a competent authority either in pursuance of any provisions of the Constitution or of the laws and rules made thereunder or in powers formally delegated to it by a higher authority.

The financial rules, regulations and orders against which audit is conducted fall mainly under the following categories:

(1) Rules and orders regulating the powers to sanction and incur expenditure from the Consolidated Fund of India or of a State, or the Contingency Fund of India or of a State;

(2) Rules and orders dealing with the mode of presentation of claims against Government and of withdrawal of moneys from the Consolidated Funds, Contingency Funds and Public Account of the Government of India and of the States, and in general the financial rules prescribing the detailed procedure to be followed by Government servants in dealing with Government transactions; and

(3) Rules and orders regulating the pay, allowances, pensions and other conditions of service.

As the audit of expenditure is to be conducted against the financial rules, regulations and orders, it is essential that the rules, regulations and orders themselves should be subjected to examination. The examination consists in seeing :

(1) that the rules, regulations and orders are not inconsistent with any provisions of the Constitution or of any laws made thereunder;

(2) that they are consistent with the essential requirements of audit and accounts as determined by the Comptroller and Auditor General;

(3) that they do not conflict with the orders of, or rules made by, any higher authority; and

(4) that, in cases in which they have not been separately approved by a competent authority, the issuing authority possesses the necessary rule making power.

All orders of delegation of financial authority have to be scrutinised carefully as, once the orders are accepted, audit of sanctions as well as of

expenditure or other transactions may be conducted against them for an indefinite length of time.

Interpretation by Audit of the Constitution, the statutes and of the rules made and orders issued by the Executive Government are required to be based on the plain meaning of the Article of the Constitution, Section of the Statute, rule or order except where this is inconsistent with another Article, Section, rule or order; in such a case the inconsistency should be referred to the competent authority for resolution or removal. In no case must interpretation by Audit ever verge on legislation. It is, however, considered the duty of Audit to bring to the notice of the competent authority any expenditure which does not seem to be covered by the terms of the Article, Section, rule or order quoted as justifying it, and which has been incurred by placing upon the Article, Section, rule or order an interpretation which may seem to it not to be a natural, plain or reasonable interpretation. In the case of regulations framed by a department of Government, audit accepts what the department considers to be the correct interpretation of its own regulations, provided that such interpretation is not opposed to the ruling of any superior authority, or contrary to any established financial principle or rule. Such discretionary power of interpretation does not, however, give a department a free hand to interpret its rules to suit particular cases in other than a natural or reasonable manner. So long as a rule or regulation remains unamended the department is bound by it. Rules should be carefully adhered to, and where in practice it is found that some discretion is necessary in the application of a rule, such discretion should be provided for in terms with respect to that rule. Audit is requird to decide cases on the plain meaning of a rule in its letter and spirit. If there are special reasons which in any case render the decision inequitable, it is for the administrative authorities and not for the Audit officer to move in the matter. Audit may, however, suggest a revision of rules or an improvement in wording if there is any apparent discrepancy between the spirit and the letter of a rule, or there are two conflicting rules.

The intention of a rule made by Government can be ascertained authoritatively only by reference to the discussions leading up to the framing of the rule, that is, to the files of Government. Such files may be obtained by Audit officers, but if they are not available, the intention of the rule may be ascertained as nearly as possible from the records of the Audit Office in which this or similar rules have been discussed.

The following two points are required to be kept in mind in interpreting orders:

(*a*) the order of a sanctioning authority must generally be interpreted

in terms of the communication in which the application was made, and

(*b*) the word "etc." in an order covers only similar cases of a like nature and not instances where there is a difference.

Audit against Propriety

Audit against propriety has been dealt with earlier under the heading "characteristics of the Auditor General's Audit". This class of audit is not a matter of application of rules and regulations. Its object is to support a reasonably high standard of public financial administration and of devotion to the financial interests of the State. The proper discharge of duties by Audit in this field is a very delicate matter and requires much discretion and tact.

Grants-in-Aid

Grants-in-aid may be grouped into the following three classes:

(1) Grants-in-aid of the revenue of the States made by the Union in accordance with Art. 273 and 275 of the Constitution.

(2) Grants-in-aid to a corporate body, institution or other authority under the control of Government.

(3) Grants-in-aid to a body, institution or concern, which is independent of Government.

Payments falling under class (1) and (2) are scrutinised in audit in the light of the general principles described earlier. The duties and responsibilities of Audit in respect of payments falling under class (3) are briefly indicated in the following paragraphs.

The extent of the audit of the expenditure incurred from a grant-in-aid by the grantee depends on whether the grant is conditional or unconditional. Where no conditions are attached to a grant, Audit is in no way concerned with the manner in which the grant is utilised by the grantee.

Where conditions are attached to the utilisation of the grant, these usually take the shape of specification of the particular object on, or the time within which, the money must be spent. Whatever the nature of the conditions, Audit has to see as far as possible that they are fulfilled.

Unless it is otherwise ruled by Government, every grant made for a specified object is subject to the implied conditions:

(1) that the grant will be spent upon that object within a reasonable

time, if no time limit has been fixed by the sanctioning authority, and

(2) that any portion of the amount which is not ultimately required for expenditure upon that object will be surrendered.

Audit scrutiny, when applied, has to pay due attention to these points. With the increase in development and welfare activities grants-in-aid have become more numerous and all sanctions for recurring or lump sum aid exceeding specified amounts usually embody a clause about the books of the grantee being open to inspection by the Audit Department at its discretion.

When recurring grants-in-aid are made to an institution, Audit as far as possible verifies that the grantee continues to function as such institution and that the circumstances in recognition of which the grant was sanctioned still continue to exist.

Audit of Works Accounts

Each Government has its own rules governing the execution of works by the Public Works Department. There are usually four stages in the project for a work, namely,

(1) Administrative approval which signified acceptance by the competent authority that the work as designed, at a cost approximately stated, fulfills the requirements of the Administrative department;
(2) Expenditure sanction;
(3) Technical sanction, which signifies that the Public Works Department have had proper detailed estimates prepared and that the proposals are structurally sound and the estimates are accurately calculated and based on adequate data; and
(4) Allotment of funds.

Works are done departmentally or through contractors. The following general principles applicable to contracts involving expenditure from Consolidated Fund of India have been prescribed for the guidance of authorities who have to enter into contracts or agreements, and have to be carefully observed in the course of audit:

(1) The terms of a contract must be precise and definite, and there must be no room for ambiguity or misconstruction therein.
(2) As far as possible, legal and financial advice should be taken in the drafting of contracts and before they are executed finally.

(3) Standard forms of contracts should be adopted wherever possible, the terms to be subject to adequate prior scrutiny.

(4) The terms of a contract once executed should not be varied materially without the previous consent of the competent financial authority.

(5) No contract involving an uncertain or indefinite liability or any condition of an unusual character should be executed without the previous consent of the competent financial authority.

(6) Whenever practicable and advantageous contracts should be placed only after tenders have been invited openly, and, in cases where the lowest tender is not accepted, reasons should be recorded.

(7) In selecting the tender to be accepted, the financial status of the individuals and firms tendering must be taken into consideration in addition to all other relevant factors.

(8) Even in case where a formal written contract is not made, no order for supplies, etc., should be placed without at the least a written agreement as to price.

(9) Provision must be made in contracts for the safeguarding of Government property entrusted to a contractor.

(10) When a contract is likely to endure for a period of more than five years, it should, whenever feasible, include a provision for an unconditional power of revocation or cancellation by Government at any time on the expiry of six months' notice to that effect.

Audit of Works Expenditure in the Audit office is conducted mainly with reference to:

(1) the sufficiency of the authority for incurring the expenditure;

(2) the accuracy of the classification of the charges against the works, persons, services and heads of accounts concerned;

(3) the proof of payment to the correct individual; and

(4) the observance of standards of financial propriety.

In respect of large construction projects the initial accounts for such a project have to follow the form of the project estimates and audit has to follow the same lines to ensure that financial control is being exercised through a comparison of the expenditure with reference to the relevant figures in the project estimates.

Capital and Revenue Accounts are opened when the work comes into operation. What items could be charged to Capital and what should be charged to Revenue are dealt with in Chapter XIII, and it is seen in Audit that these principles have been adhered to.

Audit of Trading, Manufacturing and Profit and Loss Accounts and Balance Sheets of Commercial Undertakings

It is essential to scrutinise the system of internal control to see that it is adequate in itself and as independent in character as circumstances permit and to be assured that the system is being applied efficiently.

Apart from the prevention or detection of errors or frauds, the main object of audit is to secure that the commercial accounts present a full and true picture of the financial results of the undertaking. It has also to be ensured that the subsidiary accounts are so prepared as to render it possible to compare as far as can be the relative efficiency of Government trading and manufacturing institutions with one another or with similar institutions not controlled by Government.

Audit of Secret Service Expenditure

Prior to 1921 : A secret service grant was first introduced[8] in 1869 and at that time was fixed at £ 5,000 or Rs. 50,000. In 1877-78 it was increased to Rs. 1,00,000 and in the following year reduced to Rs. 90,000. In 1882-83 it was again reduced to Rs. 50,000.[9] With regard to the administration of the grant no rules had ever been laid down for the purpose of regulating or controlling the expenditure under it. The money was placed absolutely at the discretion of the Viceroy for the time being and although it was understood that it was to be applied to "Secret Service, of a public character", no steps were taken to ensure the observance of this condition. In 1882, Lord Ripon as Viceroy said that this appeared to him objectionable. It would obviously be inconsistent with the principle of the grant to require that detailed accounts should be rendered. On the other hand it seemed right that some sort of assurance should be given to the Finance Department as regards the total amount of expenditure and its general character. The Viceroy, therefore, directed his Private Secretary to furnish the Finance Department in future, as soon as may be, after the 31st March in each year a certificate showing the amount expended of the grant during the year and that it was expended upon services of a character wholly public. Any unexpended balance on the 31st March from drafts made on the grant was to be surrendered.

Under the Montford Reforms : It has already been stated earlier that when the Auditor General's Rules were framed provision was made therein

[8] Secretary of States Despatch No. 2, dated the 22nd January, 1869.

[9] Government of India, Finance Department No. 362, dated the 23rd January, 1882.

to enable the Secretary of State to restrict the nature and extent of audit to such expenditure as that which was met from Secret Service Funds. Correspondence took place[10] from 1929 between the Government of India and the Secretary of State on the subject. The Government of India felt practical difficulties in framing a satisfactory set of rules and considered it desirable that such expenditure should be altogether exempted from the scrutiny of audit. Accordingly with the approval of the Secretary of State rules were framed in 1931 which exempted such expenditure from scrutiny by Audit but provided for an administrative audit of the expenditure to be conducted by the controlling authority nominated by Government in this behalf. The Audit officers had to be satisfied with the certificate furnished annually by the Controlling officers in the prescribed form.

Under the Government of India Act, 1935 : After the 1935 Reforms, when with a few exceptions like issuing or amending rules affecting conditions of service of the Services under the Secretary of State's control, the Secretary of State ceased to exercise any overt authority after the 1st April, 1937 either in the Provinces or the Centre, the question of the Secretary of State restricting audit in regard to Secret Service and making rules therefor had no application. It was, therefore, provided in paragraph 18 of the Audit and Accounts Order of 1936 that if the Governor General or Governor of the province certified that any book or document was a secret book or document the Auditor General had to accept as a correct statement of the facts stated in that book or document a statement certified as correct by the Governor General or Governor as the case may be. When the Auditor General's Rules of 1921 expired on the 31st March, 1937 the system of audit introduced in 1931 in respect of this class of expenditure was continued under the orders of the Governor General or Governor. The General Financial Rules of the Union and State Governments embody the provisions relating to the certification of Secret Service expenditure by controlling authorities.

Since 1950 : In the United Kingdom the payments for services of a secret nature are charged to the vote for Secret Service and no audit takes place in such cases. A certificate is given in lieu to the effect that the amount stated to have been spent, has been spent and on proper objects. This certificate is given by the responsible Minister and is accepted by the Public Accounts Committee (Paras 124-25 of Parliamentary Grants by Durrel).

The Central Public Accounts Committee in its First Report 1951-52 suggested that, in order to tighten control over Secret Service Expenditure,

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[10] Government of India, Despatch to the Secretary of State No. 7 of 1922, dated the 23rd May, 1229, Government of India, Finance Department No. D-8268-F, dated the 5th January, 1931.

the Minister of Home Affairs should countersign the certificates after satisfying himself that the check conducted by the Home Secretary had been properly and adequately carried out. The proposal was not accepted by Government. (Public Accounts Committee for 1952-53, Vol. I, p. 187).

In the United Kingdom a single omnibus vote is obtained for secret service expenditure which is distributed by the Treasury to the various departments according to exigencies of the service and the expenditure in those departments is charged to this vote. This ensures that the executive does not incur expenditure in excess of the money specifically voted by Parliament for Secret Service and full Parliamentary control is exercised. The procedure in India permits re-appropriation of funds from ordinary subheads to Secret Service Expenditure in the same grant with the approval of the Finance Ministry. The Central Public Accounts Committee pointed out that this procedure had the effect of increasing without Parliamentary sanction the quantum of expenditure not subject to audit and suggested that either no re-appropriation should be permitted if it had the effect of increasing the quantum of auditable expenditure or in the alternative all Secret Service Expenditure of the various departments should be included in one grant. An arrangement was thereupon introduced in 1956 under which no re-appropriation which had the effect of increasing Secret Service Expenditure by 25 per cent or more would be permissible without prior consultation with the Auditor General; the reasons which had led to the excess would be communicated briefly by name to the Deputy Auditor General. The arrangement was accepted by the Central Public Accounts Committee as satisfactory.

While the *de facto* position is as above, as explained in Chapter I, it is now considered that any restriction requiring the Comptroller and Auditor General to admit in audit any expenditure considered secret merely on a statement of the executive certifying it as correct would clearly cripple the adequate performance of his duties under Art. 151 of the Constitution and, therefore, be unconstitutional. The Audit Reports submitted under that Article must relate to the totality of accounts of the Union and States and the Comptroller and Auditor General's audit has, therefore, to cover the entire accounts. No portion of the accounts can be kept outside the purview of his audit on the ground that the expenditure is secret. This high dignitary has to be trusted to adopt measures to guard the secrecy of such transactions coming under his audit.

Audit of Expenditure of the Indian Audit and Accounts Department

While the draft Order in Council was being considered in 1936 the

India Office raised the question whether the appointment of an independent officer to audit the accounts of all expenditure sanctioned by or under the authority of Auditors with the relative vouchers, etc., should not be provided for. Under the then existing arrangements expenditure of various Audit offices was audited by other Audit officers under arrangements made by the Auditor General and only the Auditor General's own financial sanctions were audited by an officer independent of the Audit Department usually an officer in the Finance Department. The Government of India could not contemplate any elaborate arrangements for the independent audit of expenditure of the Audit Department. Finally, the existing procedure was allowed to continue and paragraph 14 of the Audit and Accounts Order was confined to independent audit of sanctions to expenditure accorded by the Auditor General.

Under the Constitution, under Art. 148(5) the administrative powers of the Comptroller and Auditor General are to be prescribed by rules made by the President after consultation with the Comptroller and Auditor General. These are subject to the provisions of the Constitution and any law made by Parliament. In regard to the exercise by the Comptroller and Auditor General of his administrative powers, it has been held that provision could be made in the rules made under Art. 148(5) to see that there is some authority to ensure that these administrative powers are exercised in conformity with the rules by which such powers are conferred. But as regards the question whether an independent authority could be appointed to audit the accounts of all expenditure of the Indian Audit and Accounts Department, the view has been expressed that as the powers of audit in relation to all accounts of the Union which include the accounts of expenditure of the Indian Audit and Accounts Department are vested in the Comptroller and Auditor General, any provision which entrusts audit function in respect of the accounts of the Comptroller and Auditor General's Department, which are part of the accounts of the Union, to another authority would be unconstitutional.

(B) Audit of Receipts

Historical Background

The function of the Comptroller and Auditor General in regard to the audit of expenditure is well developed and well understood in India, but his responsibilities in regard to the audit of receipts have been slow in developing, notwithstanding the fact that audit of receipts is as important as the audit of expenditure.

Under the system of Audit recommended by the Commissioners of Enquiry into Indian Accounts in 1864, the "accounts relating to the assessment and collection of Revenue, and to arrears and all statistical returns (were to) be furnished by collectors to the Revenue Board, and not to the Deputy Auditor and Accountant General".

Following several cases of misappropriation of public money which had been facilitated in more than one instance by receipts on a particular account having been incorrectly entered in the Treasury Accounts as receipts on another account, the Government of India circularised all local Governments in 1879 regarding measures adopted or considered feasible to ensure that all public money was paid into the proper Treasury and that all money so paid was correctly classified in the books of the Treasury and of the Central Office of Account. In the final orders[11] issued by the Government of India, it was pointed out that there were four steps in the process of realising revenue, *viz.* :

(1) the ascertaining of the amount due to Government;
(2) the realisation of the amount due;
(3) the payment of the amount realised into a Government Treasury; and
(4) the recording of the amount realised under the proper head of account in the books of the Treasury and the Central Office of Account.

The Government of India at the time contented itself with asking local Governments and Administrations to take such measures for extending and completing the check of receipts with a view to securing that all money ordered to be paid into a public Treasury was actually paid in and was properly brought to account in the books of the Treasury and the Account Office. Local Governments were enjoined to define the Controlling Revenue authorities for the various heads of receipts and to instruct the Account Officers to render to the different controlling authorities periodical returns of the amounts credited and to direct those authorities to compare the returns with their departmental accounts and to cause any necessary correction, to be made, whether in their departmental accounts, or in the books of the Account Office. Departmental accounts were to be compiled from departmental sources only and never adopted from the Treasury returns. By and large this procedure has continued ever since.

It has been described in Chapter III how the Comptroller, Post Office was under the Director General till 1889, Forest Accounts were under

[11] Government of India, Financial Department Resolution No. 1604, dated the 13th June, 1884

Conservators of Forests till 1876 and Accounts of Public Works, Railways and Telegraph were under the Accountant General, Public Works Department before they came under the Auditor General in 1910. Under the system developed in these departments, the revenue realised by officers of the Public Works Department, and Forest Department, all Railway Revenue receipts and all Postal and Telegraph receipts came under this audit and later that of the Auditor General. In addition there were some miscellaneous items of receipts that came under Auditor General's audit like Leave and Pension contribution of officers lent to foreign service, realisations by sale of stamps and opium through plus and minus memorandum received with Treasury Accounts, fines realised on the basis of returns from Courts, convict charges recoverable from Indian States on the basis of statements from Jail officials, miscellaneous demands not falling within the ordinary revenue administration, recoveries of over payments, repayments of advances to Government servants and receipts under Debt and Remittance heads. Customs revenue came under Auditor General's audit from 1913. In the case of other departmental revenue, the Accountant General's function was confined to reporting to the controlling authorities the amounts received and brought to account, to be compared by them with the departmental returns of demands and realisations.

The desirability of extending the Auditor General's audit to revenue had received consideration on several occasions. In 1913, Lord Crewe as Secretary of State, while approving of increased status and pay to the Comptroller and Auditor General, observed as follows :

> "The duties of the Auditor General in his capacity as the Chief Officer of Audit will be generally the same as now, but it may at any time hereafter be necessary to require him to take part in the audit of revenue as well as in that of expenditure, just as the corresponding officer in the United Kingdom may be required by the Treasury under 29 and 30 Victoria, Cap. 30, section 33, to examine and audit the accounts of the Revenue Departments. It should be made clear that the duty of initiating improvements and of carrying out all approved extensions of audit control is part of the ordinary duties of the post of Comptroller and Auditor General, as now reconstituted."

The provision in the Auditor General's Rules, 1921 for audit of receipts has been dealt with earlier. Mr. Edwin Montagu, in approving this rule[12] observed that he agreed entirely with Lord Crewe in regard to the extension of the field of audit to cover revenue as well in addition to expenditure but recognised that owing to practical considerations such extension must be

[12] Secretary of States Despatch No. 86 (Financial), dated the 28th October, 1920.

gradual and that as opportunities offered the responsibilities of the Auditor General in this regard should be developed.

The Central Public Accounts Committee also interested itself from time to time in the desirability and possibility of extending the Auditor General's activities in this direction but nothing very much happended, except that whenever large embezzlements in the accounts of a specific institution were disclosed, the Auditor General was asked to audit the receipts of that institution (para 20 of Report of the Public Accounts Committee on the Accounts for 1925-26).

Reference has been made in Chapter III to the decentralisation of Customs Audit in 1931. The scope and functions of audit in this connection were defined by the Auditor General and as they have a broader bearing in regard to audit of receipts generally are quoted below :

"The Audit Department is not responsible for the safeguarding of Customs Revenue. This is the responsibility of the Customs Department. The Audit Department is in no sense a parallel of the Customs Department. The Audit Department is purely ancillary, not to the Customs Department but to Government and is responsible for audit alone.

"The Late Comptroller and Auditor General in England, Sir Malcolm Ramsay, was very definite in his view that specialisation of audit staff and audit function should be avoided. Such specialisation should be given up where it already exists, as both unsound in general principle and also the cause of extravagance and the Government of India have accepted this view without question. Specialised audit, if that is to involve the employment of specialist officers of the rank of a Principal Auditor and audit on a grand scale, are for very good reasons not accepted policy.

"Specialised knowledge of Customs law and administration, etc., should reside mainly within the Customs Department, in both the executive and internal check branches, which is its proper place. The officers of the Audit Department specialise in audit. The English practice follows the view that the Audit Department should exercise some independent and extraneous check over the receipt side of the accounts, but that the part played by audit in the safeguarding of revenue should be small and the part played by the Revenue Department should be by far the more onerous and responsible.

"If the result of audit in any case were to prove that there was any deficiency in accounting or internal check arrangements, the correct course would then be not to multiply audit but to put the accounts and internal check arrangements right. The contrary course could only

lead to duplication and in the misplacement of responsibility—as in the nature of things internal check cannot disappear altogether."

The Auditor General explained to the Central Public Accounts Committee at great length the working of the decentralised system introduced by himself with the approval of the Finance Department and the Central Board of Review. The Committee endorsed the views of the Auditor General and approved of the system in force (para 23 of the proceedings of the Public Accounts Committee Part II—Civil Accounts for 1937-38).

The views expressed above could by and large also be applied to audit of other revenues besides customs. But in this connection an important change brought about by the Constitution in 1950 has to be noted. It has been explained earlier that the Comptroller and Auditor General, under the terms of the Oath which he has to make before he enters upon his office, has to uphold the Constitution and the Laws and that this places on him a special responsibility of his own for the interpretation of the laws, regulations and statutory rules, the application of which comes within the purview of audit. Where his interpretation differs from that of the Government, he has every right to report on the difference in his Audit Report. If the Public Accounts Committee upholds his interpretation, the Executive would normally be expected to abide by it. Of course an interpretation by the Supreme Court would be binding on both the Executive and Audit.

An experiment on the audit of income tax receipts was made by an officer who had experience of both audit and income tax administration. The Auditor General told the Public Accounts Committee that he agreed with that officer that the arguments which applied to the limitation of Customs Audit, applied still more forcibly in the case of income tax audit. He was, therefore, convinced and the Committee accepted his conclusion—that it was inadvisable to extend his audit to income tax receipts (paragraph 37 of proceedings quoted in the last paragraph).

After Independence the Auditor General had serious manpower problems which militated against extending audit of revenue. It was not until 1958 that such extension could be taken up with Government. At his suggestion Government agreed that he might undertake audit of income-tax receipts (May, 1959) and Excise Receipts (June, 1959). Before this work could be taken up, it was necessary to give adequate training to requisite staff and arrangements were made to conduct these audits on a permanent basis from the 1st April, 1961.

The Conference of the Chairmen of the Public Accounts Committees in India held in 1959 recommended that the Public Accounts Committee in each State might suggest to the State Government the feasibility of audit of

receipts coming within the jurisdiction of the Accountant General of each State. The Comptroller and Auditor General took the matter of audit of sales tax receipts with the State Governments early in 1961, referring to this recommendation and practically all State Governments have issued orders entrusting the audit of sales tax receipts and refunds to the Comptroller and Auditor General. Similar orders have also been issued by the President for the Union Territory of Delhi. There have been extensions of the field of receipt audit since then in some states.

For example, audit of "Excise Receipts and Refunds" has been undertaken in Madhya Pradesh from the 1st June, 1964 and of "Mining Receipts" in Bihar from the 1st October, 1964.

General Regulations for Audit of Receipts

The general regulations for the audit of receipts were originally issued by the Governor General and Governors of Provinces after consultation with the Auditor General and could be amended only by him/them. That position still continues.

Audit of receipts has got certain limitation differentiating it from the audit of expenditure. So far as expenditure is concerned, there can be no inducement to suppress an item. For, every item of expenditure has to be covered by provision of funds. In the case of receipts, however, the suppression of a realised receipt may secure to the person by whom the money was realised a fraudulent profit at the expense of the public while laxity on the other hand may still cause a loss to the public though it may not mean a profit to the person whose responsibility it is to realise the amount. For all these reasons, even in England, the audit of receipts which of necessity rests upon the departmental returns and documents has been described as more a question of testing regulations than of testing the accounts as a whole.

Broad Principles for Guidance of Audit

The audit of receipts is conducted in accordance with the following broad principles:

(1) It is primarily the responsibility of the departmental authorities to see that all revenue is correctly and promptly assessed, realised and credited to Government account, and any investigation by Audit must be so conducted as not to interfere with this executive responsibility.

(2) The chief aim of receipt audit is to ascertain that adequate regulations and procedures have been framed to secure an effective check on the

assessment, collection and proper allocation of revenue, and to see by an adequate detailed check that such regulations and procedures are being observed. (3) It should be ascertained in audit that checks are imposed against the commission of irregularities at the various stages of collection and accounting and it may suggest any appropriate improvement in the procedure. (4) The audit should be regulated mainly with regard to the statutory provisions or financial rules or orders applicable to the receipts in question. If the test-check reveals any defect in such rules or orders, the advisability of amendment should be brought to notice.

It is, however, rarely if ever the duty of Audit to question an authoritative interpretation of such rules or orders, and in no case may Audit review a judicial decision or a decision given by an administrative authority in a quasi-judicial capacity. This does not, however, debar an auditor from bringing to notice any conclusion deducible from the examination of the results of a number of such decisions.

Main Purpose of Audit

The main purpose of Audit will be to assist the administration by exercising:

(1) a test-check on the accuracy of the computations of the assessment both arithmetical and with reference to the applicable rates, rules and regulations;
(2) a check of refunds, with original credits to see whether the computation is correct and is *prima facie* in accordance with the law or the orders of higher authorities in appeal or revision or reference;
(3) an examination of the registers of old outstanding demands to see whether proper action is being taken against defaulters; and
(4) a test-check of credits appearing in the Demand, Collection and Balance registers with those actually appearing in Government accounts.

(C) Audit of Stores and Stock Accounts

The Comptroller and Auditor General's responsibility in respect of audit of accounts of stores and stock is similar to that relating to audit of receipts, *i.e.*, at present he undertakes such audit only in those cases where he has been required by the President/Governors to do so. The audit, where so required, is similarly conducted with reference to Regulations framed by the Central and State Governments in consultation with the Auditor General.

Historical Background

Civil Departments

In 1875, the Government of India considered[13] it desirable that provision should be made for the audit in the Civil Department of valuable ordnance and other stores and movable property in the custody of Civil officers. For this purpose Government directed that an inventory should be submitted to the Accountant General of all stores in the custody of Civil officers, excepting fixtures, ordinary office furniture, such as benches, tables, chairs, racks, almirahs, wooden and tin boxes and books and articles of petty value. Every increase or decrease of any kind of stock other than those specified above was to be reported yearly to the Accountant General, as well as recorded in the inventory to be kept by the Civil officer among the records of his office. Every fifth year a new inventory was to be prepared and submitted to the Accountant General.

In 1886, the Comptroller and Auditor General represented to the Government of India that the necessary check of the returns was of an administrative nature and as such could not be carried out by the Accounts Officers. Enquiries from Accounts Officers also showed that the orders of 1875 were not fully carried out and that there was difficulty in carrying them out. The Government of India thereupon asked[14] local Governments and Administrative officers to issue, in consultation with the Comptroller and Auditor General, such orders as would secure the submission of returns of valuable stores in the Civil Department to the proper administrative officers and the necessary check by the administrative officers. Under the normal procedure, an Accountant General would not admit a voucher for purchase of stores whether in cash or by book debit unless it was certified by the receiving officer that the stores or stock had been brought on to Stores and Stock Register.

Other Departments

It has been described earlier how the system of accounts and audit in the Forest, Public Works, Railways, Posts and Telegraphs and Defence Services developed. Every one of these departments, much more than any

[13] Government of India, Financial Department Resolution No. 4033, dated the 14th October, 1875.

[14] Government of India, Department of Finance & Commerce Resolution No. 2430, dated the 9th August, 1886.

ordinary Civil Departments, handled large quantities of stores and the various code rules, etc., came to prescribe the system of their accounting and audit. In some cases committees went into the matter as for example, a committee appointed in 1912 to examine and report on the system of Stores Accounts obtaining on State Railways in India. It has been increasingly realised[15] that the audit of expenditure spent on the purchase of stores cannot be complete without the audit of the disposals of the stores.

With the Divisional Accounts of Public Works Officers submitted to the Audit Office monthly are accounts of the stores transactions of the month and the Registers of Stock and Tools and Plant are generally test-checked at the time of periodical inspection of the Divisional Office.

In the Railways the responsibility of the departmental authorities in regard to the Stores Accounts is limited to the maintenance of numerical records of stores in stock and the preparation of the initial documents of receipts and issues. All other accounts work is done in the Accounts Office under the control of the Financial Adviser and Chief Accounts Officer of the Railways and test-audited by Chief Auditors.

The purchase of the Stores of the Engineering Branch of the Posts and Telegraphs Department and their custody prior to their issue for consumption are supervised by the Chief Controller of Telegraph Stores, Calcutta working under the Director General, Posts and Telegraphs. Numerical accounts are maintained by officers in charge of Stores Depots at various places and returns are submitted by them to the Regional Accounts Office under the Chief Accounts Officer, Stores and Workshops, who is under the direct control of the Director General, Posts and Telegraphs. The rates and their revisions from time to time are entered in the books of the Accounts Office. Divisional Engineers and sub-divisional officers also maintain numerical accounts of Stores obtained for use on or released from works.

The audit on behalf of the Auditor General is conducted by the Director of Audit and Accounts, Posts and Telegraphs Stores, Workshop and Telegraph Check, who has resident Audit officers at the Main Store Depots.

In the Defence Services also stores accounting and audit are of great importance in view of the huge turnover. Accounts are maintained and internal check exercised by the Controllers of Defence Accounts under rules in the Defence Services Audit Code and Stores Accounting Instructions.

A Stores Section in each regional Audit office under the Director of

[15] Government of India, Finance Department No. 1591-A, dated the 7th March, 1912 and No. 583-A, dated the 11th June, 1913.

Audit, Defence Services is responsible for statutory audit of Store Accounts.

Purchase Organisations of the Government of India

Stores are either purchased from outside or inter-departmentally or manufactured in Government workshops and factories.

The following organisations under the Government of India make purchases centrally for all Ministries of the Government of India and for Union Territories as also on behalf of States if required and Quasi Public Bodies like Municipalities, Port Trusts, etc., to get them in the most economical way :

(1) Director General, Supply and Disposal, New Delhi with regional offices in Calcutta, Bombay and Madras.
(2) Director General, India Store Department, London.
(3) India Supply Mission, Washington.
(4) Purchase Organisation in the Ministry of Food.

Pay and Accounts offices deal with payments for purchase of stores in India by the organisations referred to above and statutory audit is conducted by the Accountant General, Commerce, Works and Miscellaneous, who also audits overseas purchases outside India other than in the United Kingdom and North America, through embassies, etc. The transactions in London and Washington are audited by the Director of Audit, Indian Accounts in the United Kingdom, London and Director of Audit, Indian Accounts in U.S.A., Washington.

Broad Principles in Audit of Stores and Stock

It should be ascertained that the departmental regulations governing the purchase, receipt and issue, custody and condemnation, sale and stock taking of stores are well devised and properly carried into effect. Any important deficiencies in quantities of stores held or any grave defects in the system of control should be brought to the notice of the Government.

As regards purchase of stores, the usual rules relating to the audit of expenditure will be followed. Attention should be called to cases of uneconomical purchases and to any losses which may clearly and definitely be attributed to the defective or inferior nature of stores which were accepted and certified to be satisfactory in quality.

It should be seen that the accounts of receipts of stores, whether purchased or otherwise obtained and their issues and balances are correctly maintained, that any prescribed scales for holding stock or for issue of stock

are not exceeded and that stores held are not much in excess of the requirements for a reasonable period and that unserviceable stores are disposed of at the earliest and in the most lucrative manner. It should be checked whether the articles are counted periodically and otherwise examined to verify the accuracy of the quantity of balances in the books and certificates of verification are recorded and the discrepancies are properly investigated. Where priced accounts are maintained, it should be seen that the stores are priced with reasonable accuracy and that the rates are reviewed from time to time and co-related with market rates and profit or loss due to revaluation and stock-taking and other causes are duly adjusted.

(D) Audit of Debt and Remittance Transactions

The general principles and rules of audit which govern audit of expenditure apply *mutatis mutandis* to disbursements under Debt and Remittance heads. In the case of a repayment, Audit is required to check the payment against the original receipt and has to satisfy itself that the repayment is made according to the rules, regulations or orders which govern the transaction. Similarly, in the case of a payment subject to recovery, Audit is required to ascertain that the payment conforms to the authority which governs it and has further to watch that the moneys are regularly repaid by the debtor.

It is an important part of the duties of Audit to review and verify the balances under Debt heads and the outstandings under Remittance heads as disclosed in the books of Account offices at the close of the year. The first step in the process of this verification is to see how far the final results of any detailed accounts of the transactions work up to, and agree with, the balances on the Ledger. The next step is to ascertain, where necessary, whether the person or persons by whom the balance is owed or to whom it is due, admit its correctness, and in the case of balances due to Government how far they are really recoverable.

Borrowings

Under Art. 292 of the Constitution, the Union can raise money by borrowing upon the security of the Consolidated Fund of India within such limits, as may from time to time be fixed by Parliament by law. Subject to such limits, the Union can also give guarantees in respect of loans raised by a State. Under Art. 293 of the Constitution, a State may borrow within the territory of India upon the security of the Consolidated Fund of the State within such limits, as may from time to time be fixed by the Legislature

of the State by law, subject to the condition that the State may not without the consent of the Government of India raise any loan if there is still outstanding any part of a loan made to the State by the Government of India or by its predecessor Government, or in respect of which a guarantee has been given by the Government of India or by its predecessor Government. A State may also obtain loans from the Government of India, subject to such conditions as may be laid down by or under any law made by Parliament.

It is an important duty of Audit to see that the borrowings of a Government are so regulated as not to exceed the limits fixed by the Legislature from time to time and that the conditions laid down by or under an Act of Parliament are duly observed in respect of a loan granted by the Government of India to a State. In the case of loans raised by a State which can be done only within the territory of India or obtained by it from the Government of India, Audit should watch that any conditions imposed by the Government of India in granting a loan or giving consent to the raising of a loan or in giving a guarantee in respect of a loan so far as they fall within the purview of audit, are duly observed by the State Government.

Another important duty of Audit in relation to borrowings is to see that the proceeds of loans are properly brought to account and that they are expended only on objects for which the loans were originally raised or to which borrowed moneys may properly be applied in accordance with sound principles of public finance.

Audit has also to see whether adequate arrangements are made by Government for amortisation of debt particularly in cases where borrowed moneys are utilised on objects or works which cannot be regarded as productive, and should bring to notice instances in which amortisation is ignored or appears to be *prima facie* inadequate.

In auditing the transactions connected with the Sinking Funds regularly constituted for the redemption of loans raised by Government, it should be seen that credits to these funds are in accordance with the undertakings given by Government and set forth in the prospectus of the loans and that the payments are eventually utilised for the purpose for which the funds themselves were created.

Contingent Liabilities

The guarantees which the Government of India and the States may give under Arts. 292 and 293 of the Constitution in respect of loans raised by others constitute contingent liabilities of Government, and it is an essential

duty of Audit to keep a close watch over them to see that the limits prescribed by the Legislature are not exceeded. In order to safeguard the financial interests of Government in respect of such contingent liabilities, it is necessary that the accounts of the public body or institution whose loan or loans has or have been guaranteed by Government are subjected to audit by qualified auditors acceptable to Government. Audit may also require that the accounts of the public body or institution as certified by those auditors are submitted to it for general scrutiny. It may even undertake, with the consent of Government, to audit the accounts of any sinking fund created by such a public body or institution in pursuance of a scheme for the liquidation of debt under some statutory provision or otherwise. Such audit will be directed to ascertaining :

(1) that the scheme of liquidation prescribed as the basis of the sinking fund is financially sound;

(2) that the fund contains the amount which should have been accumulated if the prescribed scheme of the sinking fund had been observed in respect both of the amount to be credited to the fund and of the interest which it anticipated; and

(3) that the investments of the sinking fund are sound and are valued at not more than their market price.

Investments

Audit is responsible for keeping a watch over investment of funds forming part of the Public Account of India or of a State. It is to be seen in audit that the investments made on account of any regularly constituted Sinking Fund or other Fund administered by Government are of the category authoriised by the statu'ory provisions or instrument by which the Fund is governed. When there is no governing statutory provision or instrument, proper authority for the investment should be demanded. This principle also applies to the investment of cash balances of the Government of India or of a State. The Audit officer should take up promptly with the Government any cases of investments which he considers to be unauthorised, irregular or unsound.

Service and Provident Funds

The audit of transactions pertaining to Service and Provident Funds controlled by Government mainly consists in seeing that the transactions conform to the rules or regulations governing the administration of each

Fund and any subsidiary instructions issued thereunder. Having first satisfied itself that subscriptions to a Service or Provident Fund are received only from such Government servants as are either required or permitted by the rules of the fund to subscribe to it, Audit will watch that subscriptions and any other dues recoverable under the rules of the Fund are duly and regularly recovered from the Government servant concerned. In the case of Contributory Provident Funds, Audit will also examine that Government's share is properly calculated and brought to account. Finally, Audit is to verify that the accounts of the Funds are correct both in total and in the detailed accounts of the subscribers.

Reserves and Reserve Funds

There exist a number of Reserves and Reserve Funds in the Deposit section of the Accounts of the Government of India and the States which have been created for specific and well-defined purposes and are fed by contributions or grants from the revenues of the Union and the States or from outside agencies. In relation to the transactions pertaining to such Funds, Audit is required to see:

(1) that the transactions are classified and accounted for according to the prescribed principles, and

(2) that the transactions conform to the rules or orders governing the administration of each fund made by competent authority.

Audit should also verify the balance at the close of the year standing in account of Fund.

Deposits

In the case of moneys received to be held as deposits with Government, Audit has to satisfy itself that the moneys can properly be credited to the Public Account of India or of a State by virtue of a statutory provision or of general or special orders of Government. Audit has also to see that no item is credited as a deposit in the account of a Government which could be credited as a revenue receipt or in reduction of ordinary expenditure of that Government. In respect of repayments of deposits, Audit is required to examine that there are proper vouchers in support of the amount repaid and to check each repayment against the total credit in a particular account in order to see that repayments do not exceed the amounts originally received and credited to Government.

It is also the function of Audit to see that balances in deposit accounts

are correctly carried over from year to year, that the balance at the close of the year in each account is acknowledged as correct by the person or body concerned where necessary and practicable and that any deposits remaining unclaimed for such periods as may be prescribed by Government in this behalf are duly credited as revenue receipts of Government.

Loans and Advances by Government

Government occasionally makes loans and advances to public and quasi-public bodies and to individuals. Some of these loans and advances are made under special laws, others for special reasons or as a matter of recognised policy. Except in the case of loans and advances made under special laws or in respect of which Government has issued any general rules or orders, Audit may require that the reasons for making it as well as the conditions on which it is made are stated in full in the orders sanctioning the loan or advance. Audit may also enquire the reason for any unusual condition, *e.g.*, remission of interest in an individual case. Audit should see that the conditions of repayment of a loan or advance are complied with by the debtor and should exercise a close watch over repayment of principal and realisation of interest, if any. In reviewing the outstanding loans and advances. Audit will pay special attention to irregularities in repayment, acknowledgement of balances and unrealisable and doubtful assets.

In respect of loans and advances the detailed accounts of which are kept in the Audit office, Audit is required to report without delay any default in payment, either of principal or of interest, to the authority which sanctioned the loan or the advance. If that authority enforces any penal interest upon the overdue instalments of interest or principal and interest, it will be the duty of Audit to watch its recovery.

Suspense Accounts

Under Suspense heads are recorded all such transactions as are ultimately removed either by payment or recovery in cash or by book adjustment.

Audit of transactions under Suspense heads consists not only in applying the ordinary procedure of audit of expenditure and receipts but also in seeing:

(1) that the unadjusted balances under these heads continue to represent *bona fide* assets or liabilities of Government capable of being realised or settled, as the case may be; and

(2) that satisfactory action towards such realisation or settlement is being taken by the officers reponsible therefor.

All balances under Suspense heads have to be reviewed at short intervals so that it may be secured that no item remains unadjusted longer than is reasonably necessary to bring about its clearance in the ordinary course with due regard to the rules applicable to each case.

Remittances

In the audit of Remittance transactions it has to be seen that debits and credits are cleared either by receipt or payment in cash or by book adjustment under the relevant Service or Revenue heads of account or have been paired off by corresponding credits or debits within the same or in another account circle. An important part of this audit is to scrutinise the balances from month to month in order to effect their early clearance and to determine the accuracy of the outstandings at the end of the year.

(E) Audit of Public Enterprises

Forms of Public Enterprises

With the progressively active role that various countries have been taking in the development of their industries, the question of management and control of Public Industrial Enterprises has received wide attention and brought forth plenty of academic and governmental literature on the subject in the world. Several Seminars under the auspices of the United Nations have also discussed the problems involved. The Parliament, its committees, and the Press in this country have dealt with the problems on several occasions.

In India, government participation in industry is based on its policy first declared in a Resolution dated the 6th April, 1948, and restated in a Resolution of the 30th April, 1956. This has brought into being a system of what is often known as "mixed economy" where the Public and Private Sectors have their defined places.

State participation in industrial and commercial activities have taken three forms:

First, there are the departmental undertakings, like Railways, Chittaranjan Locomotive Works, the Integral Coach Factory, Posts and Telegraphs including Telephone services, and the Ordnance Factories.

Secondly, there are the statutory corporations. In this form the extent of control of Parliament is defined in the statute itself creating the corporation and certain matters are reserved for Parliament's consideration. There is no general law relating to corporations.

Thirdly, there are Government companies under the Company Law which contains special provisions for Government companies set up under the executive orders of Government. The control of Parliament is least in this form, though even here, through the Articles of Association certain powers are retained in the hands of Government which include the appointment of Directors, Managing Director, Chairman and persons drawing salary above a specified limit, for capital expenditure above a specified amount, and matters relating to share capital, debentures and distribution of profits. In a Seminar under United Nations auspices held in Rangoon in March 1954 it appeared to be the unanimous opinion of the consultants that where an enterprise was wholly government owned it should be set up in the form of Public Corporation or in some cases administered as a Department of Government. The Central Estimates Committee was of the same view and considered that the company form should be resorted to in special circumstances which would be when the Government might have to take over an existing enterprise in emergency, where Government wants to launch an enterprise in association with private capital or where Government wishes to start an enterprise with a view eventually to transferring it to private management. The Government policy since 1950 seems to have been that, subject to the observance of certain general principles, the form the Public Enterprise should take, must necessarily be determined with reference to its particular requirements. Broadly the constitution of statutory corporations is resorted to in the case of :

(1) Public utility undertakings;
(2) Enterprises which involve exercise of powers which can only be conferred by legislation; and
(3) Enterprises which not being commercially self-supporting have to be financed by regular grants from Government.

State enterprises for the manufacture and or sale of articles are organised as Companies under the Indian Companies Act, *e.g.*, Hindustan Steel, Hindustan Machine Tools, various Fertilizer Plants, National Instruments, Hindustan Aircraft, Bharat Electronics, Indian Telephone Industries, National Coal Development Corporation, State Trading Corporation, National Projects Construction Corporation, National Industrial Development Corporation, Hindustan Insecticides, Hindustan Machine Tools, Hindustan Cables, etc.

AUDIT CONTROL

Where the departmental form is adopted Parliamentary control is complete since their finances are found in the ordinary way through the demands for grants and the Appropriation Act. Their receipts and expenditure form part of the Consolidated Fund. The audit control by the Comptroller and Auditor General is, therefore, automatically attracted in full.

The Public Corporations fall into three categories in this respect:

(1) Where the Comptroller and Auditor General is the sole audit authority, *e.g.*, Damodar Valley Corporation, Air Corporation, Oil and Natural Gas Commission, National Co-operative Development and Warehousing Board, State Transport Corporations under the Road Transport Corporation Act, 1950, and State Electricity Boards established under the Electricity Act, 1948.

(2) Where accounts are audited by professional auditors appointed by Government at least one of whom should be in consultation with the Comptroller and Auditor General : The Government may in consultation with the Comptroller and Auditor General, issue directions to the auditors requiring them to report to it upon specified aspects, to enlarge or to extend the scope of audit or to direct that a different procedure in audit be adopted or to direct any examination to be made by the auditors, if the public interest so requires. A copy of the report of these auditors is sent to the Comptroller and Auditor General at least a month before it is placed before the shareholders. In addition, the Comptroller and Auditor General can undertake such audit, as he may consider necessary, either on his own motion or on a request from the appropriate Government. Every Audit report has to be forwarded to the Government for being laid before Parliament or Legislature. In this category are State Finance Corporations established under the State Financial Corporation Act, 1951 and State Warehousing Corporations established under the Agricultural Produce (Development and Warehousing) Corporation Act, 1956.

(3) Where audit is conducted by professional auditors only and the Comptroller and Auditor General is not automatically associated in any manner: This category consists of the Reserve Bank of India, the State Bank of India and the Life Insurance Corporation, the Industrial Finance Corporation (this was earlier in category (2)), the Unit Trust of India, the Industrial Development Bank and the Food Corporation. In the case of the Reserve Bank of India, the audit is

carried out by not less than two auditors, appointed by the Central Government for a term not exceeding one year. Under convention the appointment of auditors is made in consultation with the Comptroller and Auditor General. In addition to the audit by the professional auditors the Central Government is authorised to appoint the Comptroller and Auditor General as a special auditor, at any time, to examine and report upon the accounts of the Bank.

In the case of the State Bank, the affairs are audited by two auditors duly qualified to act as auditors under Section 226 of the Companies Act, 1958, who are appointed by the Reserve Bank of India in consultation with the Central Government. In addition, the Central Government is empowered to appoint at any time such additional auditors as it considers necessary to examine and report on the accounts of the State Bank.

Life Insurance Corporation was the next among the public corporations to be kept beyond the audit control of Comptroller and Auditor General. The accounts of the Corporation are audited by auditors duly qualified to act as auditors of companies under the Companies law appointed by the Corporation in consultation with the Central Government.

The Industrial Finance Corporation (by an amendment), The Unit Trust of India and The Industrial Development Bank have since been kept out of the audit of the Comptroller and Auditor General. The Food Corporation established in 1964 also is kept out of his audit. That Act, however, provides that the Auditors shall be appointed annually by the Food Corporation from among a list of Auditors approved by the Central Government on the advice of the Comptroller and Auditor General, who has, however, not been given the right to give any directions to the Auditors or to conduct a supplementary audit or comment on the Auditor's report.

In contrast to the varied procedure for audit in the case of Corporations, in the case of Government companies, the Companies Act, 1956 prescribes a uniform procedure for audit of Government companies. It may be mentioned in this connection that in the early stages the method of organising public enterprises in the form of companies by the Executive Government was criticised by the Comptroller and Auditor General (Shri V. Narahari Rao) as a fraud on the Constitution.

He was of the opinion that formation of companies under the Indian Companies Act for the management of governmental industrial enterprises tended to whittle away Parliamentary control. While the funds were provided from the Consolidated Funds for these companies, Company Law did not give the Comptroller and Auditor General any automatic right to audit these enterprises. The Comptroller and Auditor General might be requested

to undertake the audit of these enterprises by including suitable provisions in the Articles of Association. But this was neither proper nor binding, as the Comptroller and Auditor General's duties and functions were to be prescribed by Parliament and could not be regulated solely by the Articles of Association of a company. Furthermore as the Comptroller and Auditor General was appointed as auditor by the company, he would have to submit his report to the company and not to Parliament through the President. Parliament, therefore, could not watch the regularity of operation and financial results through the Public Accounts Committee.

If the funds had been so diverted on account of ignorance and oversight of the legal and constitutional position, it was necessary that the Comptroller and Auditor General saw that they should be utilised properly and to the best advantage of the State. Taking a wider view of his own responsibility under the Constitution, he felt that where there had been unconstitutional diversion of money from the Consolidated Fund, he might be within his right in continuing to demand the right to audit such an undertaking as Sindri, even after it was formed into a Private Limited Company...he could not acquiesce in his jurisdiction being ousted in the matter of audit by such unconstitutional acts.

The Comptroller and Auditor General forcefully put his views in this connection in a statement before a Sub-Committee of the Public Accounts Committee on the 13th December, 1952. The Public Accounts Committee in its Third Report (1952-53) supported the views of the Comptroller and Auditor General. It recommended, "The Comptroller and Auditor General should have the unquestioned right to audit the expenditure of these concerns, by whatever name thay may be called, because they are financed from the Consolidated Fund."

The next Comptroller and Auditor General (Shri A.K. Chanda) did not share the views of his predecessor regarding the legality of the company form and was satisfied with the opinion of the Attorney General furnished on the 16th February, 1952 on the Sindri Fertilizer case, that the provisions of Company Law were not infringed by constitution of these companies. Nor, he said, was the public accountability of these units impaired in any way. He pointed out that when initial allocations were made for the share capital of these enterprises, an opportunity for discussing the investment was afforded to the Members of Parliament. The annual report along with the Balance Sheet and Profit and Loss account was also placed on the table of the House. In addition to the normal audit by the auditors of the companies, provision was made in the Articles of Association that the Comptroller and Auditor General might undertake an audit and inspection of accounts of these

undertakings and take such further action as he deemed fit and submit his report to Parliament for examination by the Public Accounts Committee. In his view all these measures helped to ensure Parliamentary accountability of these undertakings.

Provision was, however, made in the new Companies Act, 1956 to put audit arrangements on a more satisfactory footing, by making special provisions for Government companies. A Government company has been defined in the Act as "any Company in which not less than fifty one per cent of the share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments". The Act also contains provisions regarding the appointment of auditors and the duties and functions of the Comptroller and Auditor General with regard to Government companies. Under these provisions Auditors of a Government company are appointed by the Central Government on the advice of the Comptroller and Auditor General. The Comptroller and Auditor General has the power to direct the manner in which the company's accounts are to be audited by them. A copy of the audit report of these auditors has to be submitted to the Comptroller and Auditor General who has the right to comment upon or to supplement, the audit report in any manner which he thinks fit. In addition to this, the Comptroller and Auditor General can conduct a supplementary or test-audit or authorise other persons to conduct such audit on his behalf and call for such information as he considers necessary. A copy of the Auditor's report along with comments upon or supplementary to it by the Comptroller and Auditor General is required to be placed before the annual general meeting of the company and on the table of each of the Houses of Parliament along with the annual report. Where any State Government is also a member of the company, a copy of this report has also to be placed before each of the House of Legislature.

The Act of 1956 gave the necessary general statutory authority to the Executive Government to organise Government undertakings with a majority of government capital in them as Government companies and by the provisions in it for audit met the necessary requirements of public accountability of the enterprises without involving any undue expansion of the Audit Department or the curtailment of the field of employment of professional auditors. The Auditor General's report whether relating to Corporations or Government companies is incorporated in the conventional Audit Report submitted by him under Art. 151 of the Constitution. Where the Auditor General's audit is supplementary to the professional auditor's Audit, the former does not cover again the field which has already been covered by the professional auditors. He conducts what may be called efficiency-cum-propriety

audit. To quote from a speech of the 4th April, 1963 of the Comptroller and Auditor General (Shri A. K. Roy).

"He sees whether it is necessary to incur the expenditure which has actually been incurred, whether the same purpose could not have been served by spending less and whether the amounts have been spent in the wisest manner possible. He sees whether the undertakings have fulfilled the expectations with which they had been established, whether the targets have been achieved as scheduled for, whether avoidable delays either in the construction or production have occurred and whether infructuous or nugatory expenditures have been incurred. This involves a review of the decisions taken by the Board of Directors to ascertain to what extent their powers have been exercised in the best interest of the Undertaking and in accordance with the accepted principles of financial propriety. Similarly a review will have to be undertaken to see whether the powers delegated to the Chief Executives have been exercised properly. The cost accounts will have to be examined to ensure that the unit is being administered efficiently and economically. It is in these matters that Parliament is vitally interested. The professional auditors are neither competent nor properly equipped to conduct such an examination. If Parliamentary control has to be adequate and effective, it is essential that the accounts of the Statutory Corporations and Government companies are subjected to a supplementary or test-audit by the Comptroller and Auditor General."

Autonomy, Accountability and Audit

It has sometimes been urged that for Parliamentary control over statutory corporations and Government companies, audit of accounts by the Comptroller and Auditor General is not necessary and it may even be harmful and impedimental to the successful working of these enterprises. Those of this school of thought quote Dr. Paul Appleby, who was, Ford Foundation Consultant in Public Administration. He presented two reports to the Government of India on India's administrative system, which were laid on the table of the two Houses of Parliament and received wide attention in the Press. He questioned the competence of the Comptroller and Auditor General to do an efficiency-cum-propriety audit in general and of Public Enterprises in particular. He considered auditing as a necessary but pedestrian function with a narrow perspective and very limited usefulness. Any Deputy Secretary, he said knew vastly more about significant problems in his Ministry than what the entire staff of the Comptroller and Auditor General could discover by

auditing. He condemned propriety audit of decisions taken by the Board of Directors and also of the exercise of delegated powers by the Chief Executives. He said that nothing could be more calculated to stop the Plan in its tracks, to undermine responsible Government and to establish Government of, by and for auditors. In fact years earlier, Mr. Lindsay C. Warren who was Comptroller General in U.S.A. viewing with concern the multitudinous complex of Government corporations in that country, before budgetary and audit controls were applied to them, warned the Congress that if the trend towards creation of these agencies was not halted, it would lead to "Government by Corporations". Dr. Appleby was critical of the greatly exaggerated importance attached by Members of Parliament to the function of the Comptroller and Auditor General which increased the timidity of public servants at all levels making them unwilling to take responsibility for decisions, forcing decisions to be made by a slow and cumbersome process of reference and conference. In his view the Comptroller and Auditor General's function was not really a very important one. Auditors did not know and could not be expected to know very much about good administration; their prestige, he said, was highest with others who did not know much about administration. What Auditor's know was auditing which was not administration. He was of the opinion that the function of audit was a strictly negative one whereas Parliament's most important concern should be with positive attainment of programme objectives the legislative body had espoused. Audit reports focussed Parliamentary attention on little things and demeaned Parliament. The Comptroller and Auditor General was otherwise-oriented and too independent, he thought, and, therefore, too little enabled to adjust his approach to many different kinds of operations involved in a Government operated industrial and commercial enterprise, to abide by the directions of the Board of Directors and the principles and methods set forth by it from time to time. The Comptroller and Auditor General had also no special competence to provide an independent appraisal of the assets and liabilities of the organisation and certify to the overall financial status of the undertaking.

Dr. Appleby's views gave rise to comments in the Press and Parliament. Against his views it has been urged that the Indian Constitution had assigned for good reasons a high status to the Comptroller and Auditor General and the evolution in this regard has been traced in Chapter II. The basis for his conducting propriety audit has been dealt with earlier in this chapter. The Central Public Accounts Committee and the Estimates Committee (*see* its Ninth Report (First Lok Sabha) paragraph (26) on appointment of Auditors) have given him full support in this regard.

British practice also has always recognised the pivotal role of the office of the Comptroller and Auditor General in the United Kingdom. Durrel's summing up of this aspect in his book *The Principles and Practice of the System of Control over Parliamentary Grants* has been quoted which says "the Comptroller and Auditor General is the agent of Parliament. He is Parliament, Parliament only works through him."

Even in U.S.A., the land of private enterprises and individual initiative the Comptroller General has been entrusted by the Government Corporation Control Act, 1945 with the audit of nationalised industries which only establishes that considerations different from those applicable to private enterprises must prevail where the tax payers' money is concerned and that audit for or under the direction of the Board of Directors would not do. To quote Prof. John Kenneth Galbraith (address at the Indian Institution of Public Administration on August 25, 1961), "The public enterprise in the Parliamentary democracy is publicly owned for a purpose. The obvious purpose is the exercise of a measure of democratic control over the enterprises. This control insures that the firm's procedures and decisions will be in the public interest. It insures that its decisions are sound and sensible and serve the general good. If there is no effort to exercise this control, there is no purpose in public ownership." It is obvious, therefore, that an audit confined to and within the four corners of a decision taken by the Board of Directors can be of no help to Government and Parliament in achieving this purpose. Further while interpellation on the floor of the House, debates on proposals for allocations for enterprises in the budget and on annual reports, and discussions concerning public enterprise in general or about a particular enterprise have a part to play, audit by the Comptroller and Auditor General would be perhaps the most powerful weapon in the hands of Parliament to exercise its control. The second International Congress of High Institutions of control over the Public finances held in Brussels in September 1954, considered the question of Audit of Public Enterprises and came to the following conclusion:

> "Owing to the influence their management can have on public finance and on national economy, the Congress is of the opinion that nationalised enterprises and such bodies as derive their funds from "para-fiscal" sources or enjoy a financial participation of the State should be subject to an effective form of financial audit, both simultaneous and after the fact.
>
> To be fully effective, such audit should be entrusted not only to specialised auditing offices, but to the Supreme Audit Institution of the country.

Such audit should bear not only on the correctness of the accounts, but also on the standard of management and on the productivity of the undertaking.

In order efficiently to fulfil its duties the Supreme Audit Institution must be in a position to adopt adequate procedures, to call on the co-operation of outside experts, and to issue directives to, and utilise, the external and international specialised means of control and audit relevant to the undertaking.

The results of such audit should be submitted to the relevant administrative agency and to Parliament."

Against some of the other opinions of Dr. Appleby it has been pressed that Audit does not so lack knowledge of administration as all successive Auditors General with one or two exceptions have earlier held high Secretariat posts in different departments of Government, that a good number of officers of the service have held and are holding posts of Under, Deputy, Joint and Additional Secretaries and sometimes Secretaries on a tenure basis. It is not also correct to say that audit is not oriented to the task of auditing nationalised industries. It has a special wing and the need for an approach in audit to nationalised industries rather different from normal departmental audit has been constantly inculcated in the Audit Department. The new policy is best said in the words of the former Comptroller and Auditor General, Shri A. K. Chanda in a speech delivered on the 15th January, 1955 which regulates the present approach of audit to its responsibilities:

"On an objective analysis, I must confess that the attitude of audit also needs reorientation. In the past, audit and administration have functioned in water-tight compartments. There has been little inclination to get together to understand each other's points of view, and what is more important, to clarify issues and take remedial measures. In this situation, Audit has felt impelled to incorporate in its report many matters susceptible of satisfactory explanation and, therefore, of settlement. The impression has, thus, come to be created that the purpose of audit is to show up the administration. Objections are raised, technical in character, even in respect of schemes and projects which have been executed with competence and expedition. It must be recognised that the purpose of a plant or project and the manner in which it is being implemented, are far more important than mere technicalities. If the rules and regulations framed long ago, for a different purpose and under a different set of circumstances, prove unsuitable to the requirements of a situation, suggestions should be made for their modification, rather than directing

criticism against a deviation from these outmoded rules and regulations . . .Audit in India receives massive support from Parliament, the Press and the Public. It is imperative, therefore, that audit should be circumspect in the presentation of its conclusions more particularly those that imply moral turpitude. There may be differences of opinion as to the manner in which a scheme should be implemented and there will be errors of judgment, negligence and dishonesty. But it would be entirely wrong to give the same treatment to these differing types of cases."

Sometimes it is complained that this spirit has not fully permeated down the line but it has to be remembered that in all human institutions including audit, perfection has to be a matter of constant endeavour.

As regards sapping of initiative in administration because of audit, the other view is that it is only those who are afraid to take responsibility who raise the bogey of audit in an attempt to explain away their failure to fulfil competently the functions of their office. The following quotation from an address by the Comptroller and Auditor General, Shri A. K. Roy on the 11th October, 1961 would show that Audit is very much alive to this problem.

"We have in this country a multiplicity of rules and regulations inherited from the British days, when perhaps adherence to procedure was more important than performance or action. When the Public Accounts Committees examine their witnesses, it is important for them to remember that the public today will not in any circumstances tolerate inaction or lack of action, and therefore, my humble request to the Public Accounts Committees would be that they deal more strictly with cases of inaction and failure of action than in those cases in which the executive has taken action promptly but because of an excess of zeal have probably failed to keep to the very narrow path of procedural rectitude. This request I have been making to the Public Accounts Committees whom I have so far had the honour to meet. I do think it is an important matter in a developing country that action is encouraged rather than inaction and that officers are prompted to take action rather than to give excuses for not taking action."

It has also been often argued that in the United Kingdom, the Comptroller and Auditor General does not audit nationalised industries unless the guarantee clause for the payment of interest or redemption of debentures is invoked. The analogy has been considered misleading for several reasons.

In the United Kingdom, till recently when some Treasury advances have been made to meet capital requirements, there has been no direct investment of public funds in the nationalised undertakings. They are required to raise

the necessary capital in the market, usually by the issue of debentures, and are responsible for servicing them. The Government has only guaranteed the payment of interest and the redemption of the debentures. Nevertheless, the question of the accountability of these undertakings has been agitated in Parliament from time to time. The Select Committee[16] on Nationalised Industries, which was constituted in 1952, asked Sir Frank Tribe, Comptroller and Auditor General, in the course of his examination whether he could undertake the audit of these undertakings. He replied that he could but did not want to and pointed out that this would involve a large expansion of his department, as had become necessary in U.S.A., when, in 1945, the Government Corporation Control Act specifically provided for the audit of the nationalised industries by the U.S. Comptroller General, and further that the provision of audit by him might limit the scope of the employment of professional auditors and lead to great dislocation both in government service and in the profession. The Select Committee recommended that a Standing Committee of the House should be established to examine the nationalised industries and that this Committee should be assisted by a whole time officer of the status of the Comptroller and Auditor General. In India, on the other hand, the nationalised undertakings are financed largely, if not entirely, by the direct investment of public funds by corresponding withdrawal from the Consolidated Fund. The other considerations on which the United Kingdom Comptroller and Auditor General was reluctant to undertake the audit of the nationalised industries do not apply here. The provision of appointment of professional auditors for the audit of these undertakings, subject to such directions as the Comptroller and Auditor General may choose to issue, would not restrict the field of their employment, which the Comptroller and Auditor General in U.K. desired to avoid in that country. The Comptroller and Auditor General's audit in India does not duplicate the professional audit and is ordinarily confined to matters beyond the scope of audit of professional auditors who have to function within the limitations of the Company Act. Their main responsibility is to certify the Profit and Loss Account and the Balance Sheet. They are precluded from dealing with such questions as the adequacy of financial control, the unit cost of operation, wasteful expenditure, extravagance, etc. Sir Edmond Compton, the next Comptroller and Auditor General in the United Kingdom, in his evidence[17] before the Select Committee on Nationalised Industries in 1959 pointed out that in cases like the Sugar

[16] Report from the Select Committee on Nationalised Industries, 23rd July, 1953, HMSO, London.

[17] Special Report from Select Committee on Nationalised Industries (Reports and Accounts) 28th July, 1959, HMSO, London, p. 11.

Board where the accounts were audited by Commercial Auditors but whose affairs come to the notice of the Public Accounts Committee, the Comptroller and Auditor General had the right of inspection over and above the Commercial Audit but such inspection would be confined to sporting cases of *prima facie* evidence of inefficiency, waste or deviation from sound financial principles. In this connection the difference between highly developed countries and developing countries as pointed out by Prof. Hanson of Leeds University in his *Public Enterprises and Economic Development* (p. 381) is of interest and significance in drawing analogies. He says: "In a country where people are not distinguished for their fianancial reliability, where respect for public property is not highly developed and where there is an accepted tradition of meticulous expenditure controls, the absence of which would be regarded as a charter not of liberty but of licence, the freedom to spend accorded to public enterprises in countries such as Britain, France and America might lead to grave abuses."

The observations made by Shri S. S. Khera, former Cabinet Secretary, in his *Government in Business* (p. 362) regarding this double audit are interesting "....the Auditor General's complaint has now been squarely met by providing for a double audit of these companies. In this way, the Public Accounts Committee is in a position to investigate the working of the companies in the event of malpractices. Besides the proposed Standing Committee of Parliament over state undertakings would provide a way of investigating the affairs of public undertakings by Parliament itself." This committee would obviously find its task easier than its counterpart in the United Kingdom when it has at its disposal the results of the audit scrutiny by the Comptroller and Auditor General, whose audit is adjusted to take account of the autonomous and special character of these organisations and not to hamper the growth of initiative and imagination in their administration. Even in a highly developed country like the United Kingdom, the absence of such help as from the Comptroller and Auditor General appears to have been keenly felt. In an article on the Public Accountability of the Nationalised Industries Mr. H. G. Daniel, Under Secretary to the Ministry of Power, has described the position in the United Kingdom as follows:

> "It has been questioned whether present arrangements whereby accounts are audited by an independent firm of professional accountants are sufficient, and various forms of more elaborate checks on the industries by outside experts have been suggested. The Webbs had thought that a key part in securing the efficient operation of the nationalised industries would be played by the disinterested professional expert who invents, discovers, inspects, audits, costs, tests or measures. Prof. Robson has

suggested that regular scrutinies of efficiency should be carried out by an Audit Commission which would consist of a body of experts specialising in this work and attaining great experience in the organisation and affairs of the nationalised industries. The Commission could possibly give assistance to the Select Committee on Nationalised Industries just as the Comptroller and Auditor General gives assistance to the Public Accounts Committee. The proposed Commission would seem similar in some respect to the special Commission established in France for the verifications of the accounts of public enterprises. This body is composed of Government auditors and representatives of the Ministers responsible for the nationalised industries. It goes beyond accounting since it deals with the quality of the financial and commercial management and the activities and results of the undertakings, and so carries out a general efficiency audit. It makes a general report to Parliament as well as detailed reports to the responsible Ministers."

The role of the Comptroller and Auditor General of India in regard to public enterprises was keenly debated during the discussions on the Life Insurance Corporation Bill in 1956 and the heat then generated seems to have left some lasting marks as the further enactments keeping certain corporations out of the audit of the Comptroller and Auditor General cited earlier would show. The Indian experiment of public enterprises has been described as the most interesting in the world. Quoting again Prof. Galbraith:

"the Indian problem of public management, the one with which you struggle, is difficult to leave alone. In my view it is the most interesting in the world. More turns on its solution than in any other country. That is because, more than in any other country, you have extended the scope of public administration to embrace the production and distribution of economic goods while, at the same time, retaining the full substance of Parliamentary democracy. In the United States, as in Western Europe and Japan we remove most of the administration of productive activity—the making of steel, machinery, automobiles and aluminium—from the immediate orbit of public concern. Performance is left to the test of the market reinforced as necessary by public regulation and popular indignation. In the Soviet type economies public administration does, of course, embrace the production and distribution of goods. But here it does so without the intrusive processes of parliamentary democracy. You alone on a large scale are testing the resources of the public administrator as a producer of goods under Parliamentary scrutiny, supervision and guidance.

"This, I venture to suggest, is a difficult and taxing experiment. Every good friend of India must be deeply concerned that it succeeds."

Both administration and Audit have a great responsibility to see to its success. Each must appreciate the other's role and not lose sight of the common goal. Both will be judged by the result and the stake is very great.

Parliamentary Committee on Public Undertakings

The twentieth century has been characterised by increasing state intervention in the economic field even in countries that once believed in the gospel of *Laissez-faire*. This has led to the establishment of several autonomous public enterprises in such countries. It is now generally recognised that the case for public ownership of enterprises rests largely on the need for the exercise of a measure of democratic control over the enterprises and that public ownership entails public accountability. At the same time the case for autonomy for these enterprises is based on the recognition of the fact that such enterprises cannot always be run as Departments of Government are and require for their successful working a great deal of freedom and flexibility. The method by which Parliamentary control should be enforced without unduly hampering the flexibility in functioning and destroying the initiative necessary for the successful running of these enterprises has given rise to great deal of thought and discussion.

Parliamentary Committee in the United Kingdom

In the United Kingdom a special Select Committee of the House of Commons set up to consider the problem made the following recommendations unanimously in its Second Report published on the 23rd July, 1953:

"(1) There should be appointed a Committee of the House of Commons by Standing Order to examine the nationalised industries with power to send for persons, papers and records, power to set up sub-committees, and to report from time to time;

(2) The Committee should direct their attention to the published Reports and Accounts and to obtaining further information as to the general policy and practice of the Nationalised Industries established by Statute, whose controlling Boards are wholly nominated by Ministers of the Crown, and whose annual receipts are not wholly derived from moneys provided by Parliament or advanced from the Exchequer;

(3) The object of the Committee should be that of informing Parliament about the aims, activities and problems of the Corporations and not of

controlling their work;

(4) The staff of the Committee should include an officer of the status of the Comptroller and Auditor General, who should be an officer of the House of Commons with High administrative experience, at least one professional accountant, and such other staff as required; and

(5) The statutory auditors of the Corporations shall in preparing their annual reports give such information in addition to that now provided by them as may be of use to the Committee and of interest to Parliament."

The proposed Committee was expected to "set up a tradition of conduct which will result in its being regarded by the Board not as an enemy, or a critic, but as a confidant, and a protection against irresponsible pressure, as well as a guardian of public interests". The Committee was to take over the right of the Public Accounts Committee to examine the accounts of the nationalised undertakings. It should have "a regard, not merely to present and past financial probity and stability, but to future plans and programmes". The emphasis should be not only on finance but also on general lines of policy of the enterprises. The following were to be excluded from the Committees' examination and investigation:

"(*i*) any decision which is the result of a direction from the responsible Minister, and for which he is accountable to Parliament;

(*ii*) any matters which are normally decided by collective bargaining arrangements; and

(*iii*) any matters which fall into the category of detailed administration."

The major recommendations in the Report were accepted by the Government in July 1954. The terms of reference of the Standing Committee were narrowed down to an enquiry into the current policy and practice of the nationalised industries. The staff assistance was limited to Liaison Officers from the Treasury and the Department concerned. The first committee was appointed in March 1955. Its terms of reference were enlarged in May 1956 "to examine the Reports and Accounts of the nationalised industries established by a statute whose controlling Boards are appointed by Ministers of the Crown and whose annual receipts are not wholly or mainly derived from moneys provided by Parliament or advanced from the Exchequer."

PARLIAMENTARY COMMITTEE IN INDIA

Following the Report in the United Kingdom from the Select Committee on Nationalised Industries, 23rd July, 1953, the question of appointing a

Parliamentary Committee for Public Undertakings in India was raised in the Lok Sabha in December 1954. The Speaker at the time is said to have been in favour of such a committee to consider (as suggested by the Rules Committee) questions of policy and working broadly of the Public Undertakings but not to go into problems of day to day administration. It was again raised in 1956 during the debates on the Life Insurance Corporation Bill. But nothing decisive emerged from these debates. Later the Congress Parliamentary Party set up a Committee under the chairmanship of Shri V. K. Krishna Menon to study and report on the problem. This Committee was in favour of the appointment of a standing committee of Parliament for Public Enterprises, which should be neither a fault finding body nor a Super Board of Management but should work according to its own judgment and express its views in good parliamentary tradition, so as not to lower any concern in public estimation or affect its credit or capacity to be well regarded abroad. The proposed committee would be the new machinery to keep the Parliament well informed. A well informed Parliament would choose to interfere as little as possible in the day to day working of the nationalised undertakings. The Committee hoped that Parliament by its own approach would encourage both initiative and long term planning in Government concerns.

It was only in November 1963 that a motion for having a Parliamentary Committee on Public Undertakings was adopted by the Lok Sabha in the following form:

"(1) That a Committee of this House to be called the Committee on Public Undertakings be constituted with ten members who shall be elected from among the members of this House according to the principle of proportional representation by means of the single transferable vote.

(2) That the functions of the Committee shall be:

(*a*) to examine the reports and accounts of the Public Undertakings specified in the Schedule;

(*b*) to examine the reports, if any, of the Comptroller and Auditor General on the Public Undertakings;

(*c*) to examine, in the context of the autonomy and efficiency of the Public Undertakings, whether the affairs of the Public Undertakings are being managed in accordance with sound business principles and prudent commercial practices; and

(*d*) such other functions vested in the Public Accounts Committee and the Estimates Committee in relation to the Public Undertakings specified in the Schedule by or under the Rules of Procedure and Conduct of Business of this House as are not covered by clause

(*a*), (*b*) and (*c*) above and as may be allotted to the Committee by the Speaker from time to time.

Provided that the Committee shall not examine and investigate any of the following matters, namely:

(*i*) matters of major Government policy as distinct from business or commercial functions of the Public Undertakings;

(*ii*) matters of day to day administration;

(*iii*) matters for the consideration of which machinery is established by any special statute under which a particular public undertaking is established.

(3) That the members of the Committee shall hold office for the duration of the present Lok Sabha.

(4) That in other respects the Rules of Procedure of this House relating to Parliamentary Committees shall apply with such variations and modifications as the Speaker may make.

(*Schedule*)

...."

Five members from the Rajya Sabha were to be associated with the Committee. The Committee was thereafter constituted for the first time with effect from the 1st May, 1964.

The Comptroller and Auditor General gives to the Committee the same assistance which has been all along given to the Public Accounts Committee in respect of matters mentioned in his Audit Report, but as certain statutory corporations have been kept out of the audit of the Comptroller and Auditor General, his assistance in regard to their accounts will not be forthcoming to this Committee. This Committee has taken over the functions previously entrusted to the Estimates Committee in regard to Public Undertakings and the latter does not have any assistance from the Comptroller and Auditor General. Further with the setting up of a Bureau of Public Enterprises in 1965 (vide following paragraph) the Parliament will have, in addition to the Audit Report of the Comptroller and Auditor General, an annual report from the Bureau on the working of the Central Government Undertakings.

Bureau of Public Enterprises

In their Fifty-Second Report (Third Lok Sabha) the Estimates Committee of Parliament drew attention to the absence of any organisation in the

Government for providing policy and overall guidance to public undertakings and stressed the need for setting up "a centralised coordinating unit which could also make a continuous appraisal of the performance of various public undertakings". The Committee also suggested the desirability of periodical examination of the organisational set-up, manpower requirements, etc., of all public undertakings from an objective and detached point of view. With the growth of the public sector, the need for having a well-equipped unit, within Government, to act as a service and evaluation centre was being increasingly felt. With the object of integrating and strengthening the prevailing arrangements for co-ordinating and examining the technical, economic and financial aspects of the projects and the working of the enterprises, the Government of India decided[18] in April 1965 to set up an organisation called the Bureau of Public Enterprises in the Department of Coordination of the Ministry of Finance, to be manned by qualified and experienced technical, industrial, economic and other experts and headed by the Director General, Bureau of Public Enterprises in the rank of Special Secretary to the Government of India. On the setting up of the Bureau, the Project Coordination Division of the Ministry of Finance (Department of Expenditure) got merged in it.

The Bureau of Public Enterprises acts as a service, co-ordination and evaluation agency and its main functions are as follows:

(1) To provide a central point of reference and consultation on and to deal with matters of general interest, like organisational patterns, methods of management, personnel policies, collaboration arrangements, training programmes, project planning, economic, social and financial policies, etc.;

(2) To explore all avenues of economy in capital costs of projects (including townships) by scrutiny and analysis of elements of such costs in projects of different types;

(3) To devise steps for improving the productivity and profitability of public enterprises by keeping under constant review their performance through suitable methods of reporting and analysis of the performance data;

(4) To undertake appraisal and evaluation of selected areas in the performance of public enterprises or in individual units as may become necessary from time to time; and

(5) To prepare for presentation to Parliament an Annual Report on the working of the Central Government Undertakings or such other Reports

[18] Government of India, Ministry of Finance, Department of Coordination No. 1239-SCDN, dated the 5th April, 1965.

as may be called for by Committees of Parliament or other governmental agencies.

The Bureau functions in close collaboration with the Ministries concerned and draws upon the assistance of various Government Undertakings. It makes use of the existing agencies, inside or outside Government, to the maximum extent possible. Public Undertakings and Ministries are free to remit to the Bureau any appropriate problems requiring study and examination.

CHAPTER XV

APPROPRIATION ACCOUNTS AND AUDIT REPORT

Of the two separate reports which the Comptroller and Auditor General is required to submit to the President and the Governors of States relating to the Union/State Accounts under Art. 151 of the Constitution, the Finance Accounts and the Reports thereon have been dealt with in Chapter XIII. The Appropriation Accounts and the Audit Reports thereon are dealt with in this Chapter by themselves in view of the importance of Appropriation Audit.

HISTORICAL BACKGROUND

Prior to 1881

As early as 1853 Sir Charles Edward Trevelyan giving evidence before the Indian Territories Select Committee (*vide* its Fifth Report) expatiated on the perfectness and beauty of the English system of finance by Estimate and Budget and Appropriation Act which system had been extended to the colonies when Mr. Wilmot Horton was Under Secretary of State and proposed that this system should be extended to India also in the manner that was detailed by him. It was only in 1860, on the recommendations of a Committee that reported on the manner in which the principles of the English system of Estimate, Budget, Audit and Accounts could best be carried out in India, that a proper system of budget was introduced. It has been explained in Chapter XIV how this laid the foundation for "a real and true method of Imperial audit" which included audit against budget provision of funds. The Audit Board which was constituted in 1860 consisting of the Auditor General and the Chief of the Military Finance Department was made responsible for determining any important questions that arose in connection with final Appropriation Audit. When the post of Chief of Military Finance Department was abolished in 1864, it was considered by Government, which was responsible for the budget grant and allowing or disallowing any excess over it, that the state of things in the United Kingdom of Parliament voting the grant and the Executive being responsible for expenditure within the amount and purpose of the grant did not exist in India and as the actual expenditure compared with the budget heads could be seen from the accounts

furnished to the Finance Department, it was the duty of that Department to take cognisance of any excess and to deal with it, allowing or disallowing and making any comments which the case might require. The Audit Board was abolished in 1865 and consideration of an independent Appropriation Audit had to lie over till 1881.

On the 31st March, 1869, the Government of India in the Financial Department circularised[1] all local Governments regarding their primary responsibility for restriction of expenditure against budget limits and at the same time instructed all Accountants General that in their capacity of Pay Master General and Controller of all disbursements, that where they had any reason to apprehend that any disbursement was being made in excess of the detailed budget allotments, it would be their duty either to stop such disbursements or if that be not conveniently practicable to bring the point at once to the notice of the local Government or, if necessary to the notice of the Government of India. Whenever any budget allotment should be found to have been actually exceeded at the close of the financial year it would be incumbent on the Accountant General to show that all practicable steps for prevention were taken by him at the time. It was expected that the Accountant General's vigilance in this respect would be unremitting. This was later followed in September 1869 by a Resolution declaring[2] that no charge, even though sanctioned which was not provided for by a distinct assignments of funds, was to be admitted by the Audit Department. In January 1870 these orders were modified[3] in respect of Military expenditure saying that while prompt provision might be made by supplementary grants for all large items, minor amounts for which sanctions were accorded might under authority of Government in the Military Department, in each case, be passed, subject to their final adjustment by a pro forma supplementary grant to such extent as might be rendered necessary.

Another clarificatory notification was issued in February 1870. It said[4] that money indisputably payable should never be left unpaid and that money paid should, under no circumstances, be kept out of accounts a day longer than was absolutely necessary. It in no way promoted economy to postpone inevitable payments and it was an object of great importance

[1] Government of India, Financial Department Circulars No. 1772 and 105, dated the 31st March, 1869.

[2] Government of India, Financial Department Resolution No. 3442, dated the 17th September, 1869.

[3] Government of India, Financial Department Resolution No. 966, dated the 9th February, 1870.

[4] Government of India, Financial Department Notification No. 1274, dated the 22nd February, 1870.

to ascertain, liquidate, and record the payment of all actual obligations at the earliest possible date. The object of the earlier order of September 1869 was to prevent the admission of new charges, or charges requiring sanction, without the simultaneous provision of funds, not to forbid the payment of charges such as refunds, which must be paid and certainly not to authorise any delay in the adjustment of expenditure actually incurred. If adjustment could not proceed for want of proper authority, immediate steps should be taken to obtain the needful authority.

Similar difficulty as in the case of the Military Department seems to have been felt by local Governments also. In 1876, the Government of India empowered[5] the Government of Bengal to sanction petty charges in excess of the budget grants, without reference to the Government of India in each case, and directed that when the accounts of the year were closed, a consolidated application for such extra grants should be submitted with the Accountant General's Appropriation Account. In 1878, this was extended[6] to other local Governments and Administrations.

1881-1911

The Government of India approached the Secretary of State in October 1881 with its proposals for an independent Appropriation Audit to supplement the existing departmental audit. In 1880, a Committee set up by the Secretary of State for India to report on the system of Military accounts recommended that the then existing departmental audit should be supplemented by an Appropriation Audit, which would be embodied in a comparison and report for the year, analogous to that made by the Comptroller and Auditor General in the United Kingdom to the House of Commons. The members of the Committee were divided in their opinion as to who should prepare the Appropriation Report. In the correspondence that ensued between the Secretary of State and the Government of India, it was finally decided[7] that each Accountant General including in the term the Military and Public Works Accountants General and each head of a separate audit department should prepare and forward to the Comptroller General (who was thenceforward to be called Comptroller and Auditor General) each year by the

[5] Government of India letter to the Government of Bengal No. 693, dated the 31st May, 1876.

[6] Government of India, Finance Department Resolution No. 3372, dated the 15th October, 1878.

[7] Secretary of States Despatch No. 46, dated the 27th January, 1881 and Government of India, Finance Department Resolution No. 792, dated the 6th May, 1884.

5th October, without waiting for the absolute closure of the final accounts, an Appropriation Audit Report of the Province or Department of which he compiled the accounts. A copy was to go to the local Government at the same time. The Comptroller and Auditor General was required to prepare therefrom annually a report covering the whole area of accounts comparing the accounts of each year with the estimates for that year and with the accounts of the preceding year, with explanations for any important variations. The Report should first state the figures under:

(A) Actuals of one year preceding
(B) Budget of the year reported on
(C) Revised Estimates of the year reported on
(D) Actuals of the year reported on
and then the explanation for differences, those between B and D being more important.

The Report was to be considered by the Government of India and forwarded with such remarks as might seem necessary to the Secretary of State for India. The first Appropriation Report under this arrangement actually started with the accounts of 1881-82 as announced in paragraph 29 of the Financial Statement for 1881-82.

In 1889,[8] Secretariats of the Government of India were empowered to utilise savings under any of the sub-heads under the head "contingencies" to cover excesses under other sub-heads, under that head. It was decided[9] in 1911 that in such cases no formal reappropriation should be required. Revised rules for regulating the procedure of Account Officers and of the local Governments and Departments of the Government of India in administering budget grants and in obtaining sanction to petty excesses over budget grants were promulgated[10] in November 1889. These rules included a provision stating that it was a very important part of the duty of the head of an Audit Office to immediately warn the Government or Department concerned of the first appearance of any excessive proportionate outlay under any grant and when the monthly abstract exhibited such excess, the Government of India expected that the head of the Audit Office would at once inform and warn the local Government, or, if the Administration be Imperial, the Department of the Government of India concerned. Each Civil Accountant General and Comptroller was directed to submit annually, through the local Government

[8] Government of India, Finance Department Resolution No. 4719, dated the 23rd November, 1889.

[9] Government of India, Finance Department Resolution No. 5015-A, dated the 14th August, 1911.

[10] Government of India, Department of Finance and Commerce Resolution No. 6056, dated the 29th November, 1889.

concerned, a consolidated statement showing for each major head of expenditure in the Civil Department (1) the amount of expenditure in excess of the budget grant of the year, (2) the amount of such excess already sanctioned, and (3) the amount still requiring sanction (*a*) of the Government of India and (*b*) of the local Government. Similarly the Chief Account Officers of the Public Works, Military Marine (Imperial), and Post Office Departments should prepare statements and submit them to the Finance Department through the administrative Department concerned on the same date on which the departmental Appropriation Report was submitted to the Comptroller and Auditor General. To ensure stricter budgetary control the following rules were laid down:

(1) Save for exceptional reasons, expenditure for which no provision had been made in the estimates of the current year should not be proposed, and could not be sanctioned. In the absence of such reasons, the Government of India assumed that any expenditure proposed was intended to have effect from the beginning of the following financial year, and not earlier.

(2) Expenditure which could not be met from the grant made at the beginning of the year required *ipso facto*, and apart from all other rules, the sanction of the Government of India in the Finance Department, or, in the cases provided for in (4), (5) and (6) below, of the local Government or the Department of the Government of India concerned. It had already been laid down in a Resolution dated the 14th January, 1889, that every application for such sanction should be accompanied by a statement showing how the expenditure was proposed to be met. A copy of this statement should be forwarded by the sanctioning authority, together with the order of sanction, to the Audit Office. Where re-appropriation was made from an existing grant, the Audit Office would conduct the audit against the reduced grant. Sanction to an application of this nature authorised the expenditure during the year.

(3) A local Government or a Department of the Government of India could not, without reference of the Finance Department, sanction expenditure which would cause an excess over the Budget grant for a major head which was wholly Imperial.

(4) A local Government could, without reference to the Government of India, sanction expenditure in excess of the Budget grant under any provincial or local major head, provided the increase did not cause the aggregate Budget grant for provincial and local expenditure to be exceeded. In these cases specific reappropriation was required as explained in Rule (2).

(5) In the case of major heads divided in a fixed proportion between Imperial and Provincial, and also in the case of minor heads similarly divided, a local Government could without reference to the Government of India, sanction

expenditure in excess of the Budget grant, provided specific reappropriation from Imperial and Provincial Grants respectively was made as explained in Rule (2).

(6) The Home, Revenue and Agriculture, and Foreign Departments of the Government of India had the power to sanction transfer of grants between detailed heads under the same major head of the estimates of any Imperial Department directly administered by them. This authority was subject to the conditions (*a*) that transfers from savings under "salaries of Gazetted Officers" should not in any case be made; and (*b*) that saving under "Establishments" should be utilised only for the purpose of meeting the cost of small additions to establishments and not for contingencies or other charges.

(Under these orders, the Foreign Department, subject to the limitations above, could make transfers from savings in the estimates of one political agency to those of another, so long as the total of the sanctioned estimates of all the political agencies under the direct control of that Department was not exceeded).

(7) Where these orders required a reference to the Government of India in the Finance Department :

(*a*) in cases where the excess over the sanctioned grant was trifling; and
(*b*) in cases where the excess could not be foreseen before the close of the year;

application for sanction to the additional grants might be made in the annual consolidated statement. In all other cases application for additional grants must be made and sanction must be obtained before any expenditure not provided for in the estimates was incurred.

(8) Application for sanction to excess expenditure incurred by the Civil Account and Currency Department should be submitted by the Accountants General to the Comptroller and Auditor General who should obtain the sanction of the Government of India when necessary.

As the above procedure was not suitable in the case of Administrations and Departments immediately under the Government of India, a special procedure was prescribed[11] in 1893 for the Comptroller, India Treasuries. In 1895, the Government of India requested[12] the Comptroller and Auditor General to ensure that the Accountant General, Military and Public Works Departments and all Civil Accountants General and Comptrollers while

[11] Government of India, Department of Finance and Commerce Resolution No. 3573, dated the 16th August, 1893.

[12] Government of India, Department of Finance and Commerce Resolution No. 2472A, dated the 24th May, 1895.

explaining excesses over budget grants in each case indicated (1) to what extent each stated cause of excess contributed to it when there was more than one cause contributing to the excess and affected the Estimate, (2) why, at the time the Estimates were prepared, the excesses were not foreseen, and (3) if the expenditure was avoidable, why it was incurred notwithstanding absence of provision in the Estimates.

In the same year, the Government of India directed[13] Civil Accountants General and Comptrollers to submit a copy of the local Appropriation Report along with the annual consolidated statement of excess expenditure required to be submitted to local Governments and Administrations, and to furnish the explanation of excesses in the latter by a reference to the relative paragraphs of the former. This procedure was extended for adoption to the Comptroller, India Treasuries, for the expenditure incurred by the Administrations and Departments immediately under the Government of India and coming under his audit. This was in supersession of the special procedure prescribed in 1893 and referred to earlier.

Certain important changes were introduced[14] in 1903 with effect from the Appropriation Report for 1902-03. It has been stated earlier that the Annual Appropriation Report had to be submitted to the Comptroller and Auditor General and the local Governments by the 5th October without waiting for the final closure of accounts in December. Thus the excess of expenditure on which the local Governments passed orders did not always represent the actual amounts requiring sanction. It was, therefore, decided that, in future, these statements should not accompany the Appropriation Reports but should be submitted separately to the local Government on the 20th December, after the accounts of the year had been finally closed. This might result in differences in the figures of excess expenditure in the Appropriation Report and in the consolidated statement. Brief explanations had to be attached to the statements for such differences. The local Government's orders on the excesses had to be communicated to the Accountants General and Comptrollers by the middle of January who should send a copy thereof to the Comptroller and Auditor General before the close of January. Some changes were also effected in the forms of the statements. Expenditure finally brought to account in the Home (U.K.) section of the Account was not to be included in these statements.

In 1911, the following recommendations of the Royal Commission on

[13] Government of India, Finance Department Resolution No. 553-A, dated the 31st January, 1895 and 4485-A, dated the 17th September, 1895.

[14] Government of India, Department of Finance and Commerce Resolution No. 7066, dated the 25th November, 1903.

Decentralisation, the Government of India with the approval of the Secretary of State authorised[15] local Governments and local Administrations to delegate to Boards of Revenue, Financial Commissioners and such other officers subordinate to them as had been declared to be Heads of Departments, the power of making reappropriations in connection with the budget grants which they controlled, subject to certain restrictions. Similarly the Army Department, Public Works Department and Legislative Department were given powers[16] to transfer provision between detailed heads under the same major head in the sanctioned estimates of those Departments subject to certain restrictions.

1912 to Montford Reforms

After three decades of working of the arrangements introduced in 1881-82 relating to the Appropriation Reports, during which there had been very large devolution of financial powers, it was considered by the Government of India desirable to modify the object and scope of the reports in two important[17] particulars. The Report dealt with only one of the functions, of audit, *viz*., check of expenditure against budget grants. In future the Report should be a review of audit generally and should embody, as the Report in the United Kingdom did, important irregularities and matters of audit principle whether in respect of the utilisation of the budget grants or otherwise which had been brought to notice during the year. Secondly, the Reports should recognise the primary responsibility resting on the local Governments to see that all expenditure had been incurred under proper sanction and with due regard to financial rules and the responsibility the Government of India had on the other hand to examine the administration by local Governments of the aggregate provincial grants and the steps taken by them to ensure financial regularity on the part of their subordinates. At the same time the Reports should not be overloaded with detail so as to obscure their object. It was consequently decided to revise the form of the Reports rendered by the Provincial and Departmental Accountants General and Comptrollers and for this purpose the Government of India gave the following direction in 1912:

(1) The local Appropriation Reports should in future deal first with a

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[15] Government of India, Finance Department Resolution No. 3169-A, dated the 31st May, 1911.

[16] Government of India, Finance Department No. 5016-A, dated the 14th August, 1911.

[17] Government of India, Finance Department Resolution No. 2534-F, dated the 18th April, 1912.

comparison between the accounts of the year under report and of the year preceding, and secondly with comparison between the accounts of the year, and the budget estimates. The figures of the revised estimates which hitherto had been included would be omitted.

(2) The subject matter of the Reports should be arranged in three separate sections, namely:

(*a*) Comparison with accounts of previous years.

(*b*) Comparison with budget estimates in detail of minor heads of accounts.

(*c*) Comparison with budget estimates for totals of major heads of accounts.

The object of the comparison with the accounts of the previous year was to bring out the broad movements in revenue and expenditure and to draw special attention to any abnormal decrease in the one or growth in the other. It should, therefore, be as clear and concise as possible and unnecessary detail should be avoided.

The comparison with the budget estimates in detail of minor heads was intended for the local Government or the heads of Imperial departments, as the case may be. The figures should be grouped in such a way as to bring together all expenditure within the major head which was under the control of the same authority with such sub-divisions as may be necessary to show classes of charge or nature of service. They should be arranged in a separate tabular form for each major head, with explanations when necessary opposite the various entries, and at the foot of each table the Accountant General should record his observations on any points that seemed to him to require special notice. Thus any delay in rendering vouchers or obtaining proper sanction which had made it impossible to admit finally in audit the whole of the recorded expenditure should be explained. If there appeared to have been any abnormal growth of expenditure or tendency to extravagance as far as could be judged from the figures, the point should be referred for consideration of the administrative authorities. In the case of an excess over a grant, the Report should show distinctly whether it was sanctioned before or after the expenditure was incurred, when it was brought to notice by the Audit office and how it was provided for. And finally, reference should be made to any serious breach of financial rules or other point in audit which from its importance the Accountant General thought should be included in the Report.

The comparison with the budget estimates for major heads of Account was intended for the Government of India in the Finance Department and should be dealt with, *mutatis mutandis*, in the same manner as the comparison in detail of minor heads.

Each Appropriation Report should be submitted by the Account Officer concerned to the local Government or head of an Imperial department, a copy being forwarded at the same time to the Comptroller and Auditor General. The administrative authority to whom the Report was submitted should deal with it by according formal sanction within the limits of its powers, to excesses over budget grants, and by passing such other orders as appeared to be necessary and should communicate a copy of its orders to the local or departmental Account Officer and to the Government of India in the Finance Department. The General Appropriation Report should be compiled by the Comptroller and Auditor General on the basis of the Reports furnished to him by local officers, but in less detail than till then. In the preparation of this Report the Comptroller and Auditor General should be guided by the principles already enunciated. He should begin with a general comparison of the figures from year to year of revenues and expenditure, Imperial and provincial. He should review on general lines the application by local Governments and departments of the grants placed during the year at their disposal. And he should report for the information of the Government of India any financial irregularities or defects in audit which appeared to him to call for notice.

In such matters as the classification of expenditure, the nature of the explanations required and the special classes of financial irregularities or defects in financial administration that should be brought to notice as part of the ordinary function of audit, the Government of India directed the Comptroller and Auditor General to issue such instructions, as might from time to time be found to be necessary.

Reference has been made in Chapter II to the increase in the status and salary of the Comptroller and Auditor General that took place in 1914. His Annual Appropriation Reports were to be addressed to the Secretary of State and were to be forwarded to the Secretary of State by the Government of India with their observations within a specified period. The first Report of the Comptroller and Auditor General after his office was thus reconstituted related to the year 1913-14.

Since under the revised procedure the local Governments and Administrations dealt with excesses requiring their sanction on a review of the Local Appropriation Report and excesses not within their powers were dealt with by the Government of India on the basis of the General Appropriation Report of the Comptroller and Auditor General, the preparation of statements comparing expenditure with sanctioned budget grants prescribed in 1903 became unnecessary and in 1913 were directed[18] to be discontinued.

[18] Government of India, Finance Department Resolution No. 550-F, dated the 31st May, 1913.

In 1914, the powers of the local Governments and Administrations were enhanced[19] to permit their sanctioning reappropriations between Imperial grants included in their estimates under a divided head and certain wholly Imperial heads.

In the same year the Government of India laid[20] down the procedure for dealing with matters relating to financial irregularities brought to notice by the Comptroller and Auditor General in his Annual Appropriation Report on the accounts of the Government of India. Local Governments were directed to start enquiry into all individual cases of irregularity which were brought to their notice, without waiting for any instruction to that effect from the Government of India, record a finding and take such action, in the event of explanation received not being wholly satisfactory, as might be fitted to the circumstances of the case. This might include disciplinary or other action in regard to the officer particularly concerned, and also in some instances, the issue of general instructions designed to prevent misunderstanding or misconduct in such matters in future, or suggestions for the amendment of rules and so forth. The Comptroller and Auditor General should be kept fully informed. If he was not satisfied with the action taken, the local Government should report the facts to the Government of India with a view to considering what further action, if any, should be taken. The Auditor General would also himself inform the Government of India from time to time as to the extent to which the questions raised in his report had been finally disposed of and as to differences of opinion with the local Government.

In September 1914, the Government of India directed[21] that the Comptroller, India Treasuries, should, like other Accounts Officers, incorporate in his Appropriation Report a statement of all excesses which were not covered by supplementary grants sanctioned before the close of the year and it would suffice, for purposes of appropriation audit to show the excesses by major heads only and the usual elaborate details were no longer necessary. The Agent to the Governor General, Baluchistan was, at the same time authorised in respect of quasi-provincial heads of services, to sanction after the close of the year, excesses over grants under major heads provided that the aggregate grants for the quasi-provincial heads were not exceeded.

In 1916, with a view to reducing the size of the Appropriation Report

[19] Government of India, Finance Department letter No. 565-A, dated the 15th June, 1914.

[20] Government of India, Finance Department No. 477-A, dated the 18th May, 1914.

[21] Government of India, Finance Department No. 1335-F, dated the 7th September, 1914.

prepared by the Comptroller and Auditor General which got styled the "Audit and Appropriation Report", the Government of India decided with the approval of the Secretary of State that all matters which had no bearing on audit should be eliminated therefrom as also from the Reports prepared by local Accounts Officers for submission to the Comptroller and Auditor General and local Governments. The following matters in the Report were considered not to serve any purpose of audit:

(1) The detailed review comparing the actuals of the year under review with the budget estimates of that year and the actuals of the preceding year.
(2) The portion of the general review instituting the comparison.
(3) The review of Debt heads.

(4) The General statement of Accounts and Estimates. (5) The abstract estimate of Revenue and expenditure.	For Accountant General Railways only.
(6) The abstract statement of Marine/ Army receipts and charges. (7) The statements of special services at the end of the Report.	For Military Accountant General only.

Under the revised arrangement which came into force from the Report for 1915-16, the Report consisted of the following sanctions:

(1) Provincial Finance consisting chiefly of a comparison between the actual and prescribed balance for each province.
(2) Expenditure under objection and Financial irregularities.
(3) Appropriation Audit statement and comments regarding the excesses brought to notice in it.
(4) General remarks relating to the work of the Audit Department, etc.

Any important changes in classification would also be mentioned. Two consolidated grant statements one for Imperial and the other for Provincial were to be appended to the Report, the explanations for the excess of expenditure over the net grant being given in the body of the Report.

The result of these new arrangements was that the Appropriation Report of the Comptroller and Auditor General that gave very great details covering 150 to 200 pages in print dwindled into a few pages. The Audit Report that was added to the Appropriation Report gained increasing importance.

In 1919, the Government of India while offering to the Secretary of State its observations on the Comptroller and Auditor General's Audit and

Appropriation Report for 1917-18, reviewed the results brought about by the various Audit Reports since 1913-14 and the instructions or observations of the Government of India and the Secretary of State thereon. The Government of India said[22] that slow but continuous improvement was noticed more particularly in the important matter of taking adequate disciplinary action in cases of serious or persistent irregularities though there was undoubtedly still a tendency in some provinces for the superior administrative authorities to regard serious irregularities as venial. The Government of India hoped that after the impending reforms much greater responsibility would be thrown on Audit Officers who would have to devote much more of their time to looking into the manner in which executive officers undertake their financial responsibilities and less to the laborious routine of applying an infinitude of detailed rules. In such conditions it would obviously be of great importance that the highest authorities in a province, whether it be the Governor in Council of the Ministers, should deal effectively with cases in which public servants had disregarded the fundamental rules of financial propriety or had been careless in the disbursement of public funds. As regards the rush of expenditure in March, the Government of India referred to the new procedure of regrant in the new year of lapses in the preceding year and hoped for further improvements as disbursing officers became more familiar with the new procedure.

To summarise, before 1881 there was practically no Appropriation Audit in India. The reports from 1881-82 compared the accounts of the last year with the budget for that year, and with the accounts of the preceding year, and contained explanations for any important variations. The Government of India submitted the reports to the Secretary of State. In 1912, the scope of the report was enlarged to include more explanations on variations and notes on any abnormal growth of expenditure or tendency to extravagance and cases of serious breach of financial rules and other important points in audit. After 1913 the Reports were addressed by the Auditor General to the Secretary of State and sent through the Government of India. The Reports were combined publications (styled till 1913-14 the Appropriation Report on the Accounts of the Government of India and since 1914-15 the "Audit and Appropriation Reports on the Accounts of the Government of India") and included all local and departmental accounts and reports. The entire Government system was one indivisible whole and amenable to Parliament. The Legislative Council was in theory only an enlargement of the Executive Government for the purpose of law making. It had practically no hand in

[22] Government of India, Finance Department Despatch to the Secretary of State No. 289, dated the 31st July, 1919.

the matter of financial control. The Government of India was responsible for the financial administration of the country and the Secretary of State had powers of superintendence, direction and control over the Government of India. The results of audit, therefore, were ultimately reported to him.

The Position under the Reforms of 1919

The Reforms of 1919 brought in a radical change by recognising, within the Government of India, the separate existence of the local Governments of Governors' provinces, as component parts of that body. The Secretary of State still remained responsible, under Section 2(2) of the Government of India Act, for superintendence, direction and control over all acts, operations and concerns which related to the Government or revenues of India, and all payments and charges out of or on these revenues; and under Section 21 of the Act, the Secretary of State in Council retained the consequential power of control over expenditure from and appropriation of, those revenues. Similarly under Section 33 of the Act, the Governor General in Council was still vested with the power of superintendence, direction and control of the Civil and Military Government of India. But these powers were limited by the insertion of the words "subject to the provisions of this Act or/and rules made thereunder", in recognition of the fact that any degree of minute control by outside authority was incompatible with "the gradual development of self-governing institutions". As explained earlier in Chapter XIV the removal and relaxation of external control over local Governments were made through divestment and devolution of powers under Sections 19A and 45A of the Act and rules 13 and 49 of the Devolution Rules. The effect of devolution was to increase the financial powers of the executive half of the local Government, which still remained amenable to Parliament by the retention of an intermediate responsibility in the hands of the Governor General in Council and of the ultimate responsibility in the hands of the Secretary of State; while the effect of divestment had been to transfer some subjects to the control of that half of the local Government which was responsible to the local Legislature, the Secretary of State and the Governor General in Council retaining powers of intervention in the transferred field in certain limited and definitely prescribed circumstances only, and with the narrowest possible reservations.

Under the Reforms, the legislative bodies became more popular institutions and their existence was recognised as distinct from the executive. In financial matters, their duties included the scrutiny of the Budget and the power of granting demands, to be put forward by the executive, for

expenditure on the administration of Government, with the exception of certain heads which were not to be presented to the vote of that body. Unless the Executive Government, or the head of that Government, as the case may be, exercised its powers of certification or authorisation, the voting of the demand was final and the executive had to carry on the administration in regard to voted expenditure within the amount of the grant and within the scope of the demand.

The different authorities having been given powers over financial matters, while the Secretary of State retained the supreme power of control, it became a matter for consideration as to what form the reports of the Audit Officers should take and how they should be considered under the Reforms.

Audit and Appropriation Reports for Centre and Provinces

In May 1920, the Government of India sent up to the Secretary of State its proposals regarding the form of the Audit and Appropriation Reports under the Reforms which broadly summarised were as follows :

(1) There should be a separate Audit and Appropriation Report for each province;
(2) The Auditor General should be finally responsible for these provincial reports;
(3) The Auditor General, as at the time was being done, should prepare a consolidated Audit and Appropriation Report for the whole of India; and
(4) Each Report should be in two parts, the first relating to Audit alone, while the second should relate mainly to Appropriation but also include reference to any irregularities the investigation of which had reached, since the issue of the first part, the stage at which the irregularity could suitably be referred to in the Report.

The Secretary of State agreed to the first proposal and to the second to the extent provided for in Rule 15 of the Auditor General's Rules. As regards the third, he did not consider it necessary for the Auditor General to prepare a consolidated report for the whole of India. It was important, however, that the Auditor General should have an opportunity of offering such comments of a general nature as he might think fit after scrutiny of the Accounts of the whole of India, so that he might depict the general trend of audit development and the progress of financial control in India as a whole under the Reforms scheme. Regarding the fourth proposal the Secretary of State agreed that the Report should be in two parts but considered it

undesirable that cases of financial irregularity should be mentioned in each part. Audit authority should, however, as already required report to the Finance Department, of the Local or Central Government as the case might be, any serious irregularity immediately it was discovered.

The Auditor General's rules made by the Secretary of State in Council under Section 96D(1) of the Government of India Act, 1919 statutorily laid the responsibility for the Audit and Appropriation Reports on the Auditor General in the following words:

> "15(*a*) The Auditor General shall on such dates as he may prescribe, obtain from each principal auditor and from any officer of the Indian Audit Department to whom he may entrust this duty, Audit and Appropriation Reports reviewing the results of the audit conducted by and under such officer during the past official year. Any officer of Government may be called upon to provide any information necessary for the preparation of these reports, which shall be in such form and shall deal with such matters as the Auditor General may prescribe. On receipt of these reports the Auditor General shall transmit them to the Governor General in Council or to the Finance Department of the Local Government concerned, with such comments as he may think fit.
>
> (*b*) The Auditor General shall forward to the Secretary of State through the Governor General in Council the several reports dealing with the total expenditure in India in each year with his detailed comments on each report and may also offer such further comments of a general nature as he may think fit."

The Auditor General's general comments were intended to present to the Secretary of State the general trend of audit development and the progress of financial control in India, quoting if necessary individual cases of financial irregularity as examples illustrative of his comments.

To make up for the removal and relaxation of external control in the Provincial field, Rule 37(*i*) of the Devolution Rules made it the duty of the Finance Department of a local government to lay before the Committee on Public Accounts the Appropriation Accounts and the Report of the Audit Officer thereon and bring to the notice of the Committee all expenditure which had not been duly authorised and any financial irregularities. Similar provision was also made as regards control to be exercised by the Central Legislature in regard to the Central Appropriation Accounts and Reports of the Audit Officers on them.

There were separate reports on the transactions of the three principal spending departments of the Central Government, *viz*., the Army, Railways

and Posts and Telegraphs Departments, the transactions of the remaining departments being in a single compilation.

The first reports under the Reforms related to 1921-22. There were two separate reports by the Accountants General to the Governments concerned to be placed before the Public Accounts Committee of the Legislature, *viz.*, (1) the Audit Report and (2) the Appropriation Report. Copies of these reports were transmitted by the Auditor General to the Secretary of State through the Governor General in Council, with such comments of his own as he thought fit. The Audit Report included sections on financial irregularity (only cases duly considered by the local Government or Government of India, as the case may be could be mentioned), audit activities, statistics and analysis of objections (other than those relating to Appropriation) and March expenditure. It was expected to be self contained in respect of all matters dealt with therein with all details necessary for a clear and succinct statement of the case.

The Appropriation Report included sections on:

(1) Review of Provincial Finance,
(2) Changes of classification in the account,
(3) Appropriation accounts and excesses over grants, with separate statements for voted and non-voted, and reserved and transferred, each statements in two parts, *i.e.*, I, a consolidated statement by grants, and II, a subsidiary statement by minor heads leading up to figures in I, and
(4) Results of appropriation audit, on behalf of Executive Government, *e.g.*, where specific appropriation was required under the financial rules or where specifically requested to audit charges authorised to be incurred by several officers relating to a unit of appropriation against a lumpsum provision placed at the disposal of a single higher authority.

Changes in 1924-25 in the Audit and Appropriation Report and Introduction of Executive Report

On the recommendations of the Central Public Accounts Committee of 1923 and also at the instance of the Finance Department of the Government of India the question of making the Appropriation Reports more illuminating and of the possibility of elaborating the information given to the Committee in these reports and of remodelling them on the lines on which the corresponding reports were prepared in Great Britain by the Comptroller and Auditor General in U.K. was investigated by the Auditor General in

India, Sir Frederic Gauntlett, who submitted a report in May 1925. Appended to the report was the draft of a manual (with forms) of instructions for the preparation of Audit and Appropriation Reports (Central as well as Provincial) which it was proposed to issue in place of the existing provisions in the Audit Code. Later this was issued as Appendix 16 to the Audit Code and printed separately. The changes brought about commencing from 1924-25 may be summarised as follows:

(1) The Audit Report and Appropriation Reports were amalgamated into one report called "Appropriation Account and the Report of the Audit Officer thereon".

(2) Financial irregularities, embezzlement, frauds, etc., were to be included under the proper grant and appropriation in the amalgamated report. All financial irregularities otherwise worthy of mention, would be mentioned even though the orders of Government thereon might not have issued and the practice of withholding mention of cases under consideration would be discontinued, as it often led to delay in the presentation of cases to the Committee. This was subsequently modified as to permit mention of such cases only if the case was of such extreme importance that it seemed desirable to bring it to the notice of the Public Accounts Committee at a very early date and if there had been unreasonable delay on the part of a Government in dealing with an important case of irregularity which had been brought to its notice.

(3) Voted and nonvoted charges of a grant would be combined in one Appropriation Account to give a better idea of the expenditure on each particular head of account as a whole.

(4) Store Accounts of important stock and trading accounts of the quasi-commercial concerns were to be appended to the relevant Appropriation Accounts to give a clearer and more comprehensive idea of the transactions in connection with them in the general Appropriation Account.

(5) While the Appropriation Account and the Audit Officer's Report thereon would eventually go to the Public Accounts Committee, a separate report called the "Executive Report" was introduced for submission to the Executive only without concerning the Legislature.

The main objects of the Executive Report were:

(1) to bring to the notice of the Executive Government, several months before it was possible to submit the Appropriation Accounts and the Report thereon, cases of financial irregularity, sufficiently

important for mention in the Report on the Appropriation Accounts, on which the orders of Government had not yet been passed or, having been passed were not considered in audit to be entirely adequate; and thereby to give the Government an opportunity of expediting or reconsidering its orders upon them;

(2) to present to the Executive Government a comprehensive review of minor irregularities which, while of insufficient importance to justify mention in the Report on the Appropriation Accounts should be a matter of concern to a Government which desired to maintain a high standard of financial administration; and

(3) to suggest remedial and preventive measures for the consideration of the Executive Government, and, if necessary, to comment upon the adequacy of such measures already taken.

Abolition of the Executive Report

It was not intended that the Executive Report should be a permanent feature of the Indian system. By 1930, the Auditor General thought the Executive Reports unnecessary as the various departments had become more practised in dealing with the Appropriation Reports. Besides the Executive Reports resulted in duplication of effort because even before they could be disposed of, the Appropriation Reports had to be taken up in the administrative offices. Unnecessary confusion resulted both in audit and administration.

In June 1930, the Auditor General proposed an alternative procedure. Serious irregularities would be reported to the administrative departments as soon as discovered, while in other cases, paragraphs of the audit report in draft form would be sent to Government so that the facts would be settled before the cases were discussed by the Public Accounts Committee. On the 7th July, 1930, the Government of India accepted the suggestion to abolish the Executive Reports. The Provincial Governments did likewise soon after.

Preparation of Appropriation Accounts by other than Audit Officers

In cases where accounts had been separated from audit, the duty of preparing Appropriation Accounts fell upon officers other than Audit officers. It was for the Audit officer concerned to submit the Report upon those accounts. In respect of expenditure incurred in England by the

Secretary of State and the High Commissioner for India the Appropriation Accounts were prepared by the accounting officers in the United Kingdom and the Reports upon them by the Auditor at the India Office. These Appropriation Accounts were incorporated by the Audit officers in India in the accounts prepared by them, in order to present in a single document the combined result of the whole transaction of each Government.

Purpose of the Report on Appropriation Accounts

The Reports which were to convey a just, impartial and yet sympathetic picture of the financial administration were intended to serve several purposes. To the Government concerned the report would show the extent to which its subordinates were complying with its rules and orders and would bring forth any defect in the rules themselves. To the tax payer it would exhibit the degree to which the Government was complying with the expressed views of the Legislature in matters of importance. To the Secretary of State it would reveal the extent to which his orders were obeyed and shed a useful light upon the working of the reformed constitution in India.

Constitution of the Public Accounts Committee

It has been explained earlier that the Reforms of 1919 were based on the existence of a powerful and independent external audit, which would bring financial irregularity and misdemeanour prominently before the Executive and the Legislature and that Devolution Rule 37(*i*) provided for the Auditor General's Audit and Appropriation Reports going before the Committee on Public Accounts. This followed the practice in the United Kingdom where Parliamentary control at the stage of results is exercised through a similar Committee since 1861 when on April 19, Gladstone, then Chancellor of the Exchequer got the First Public Accounts Committee appointed. Early in 1857, the Select Committee on Public Moneys had reported (*a*) that for proper Parliamentary control over expenditure there should be Control over Exchequer issues, (*b*) that Departments ought to present regular and detailed accounts of final application of funds, (*c*) that such accounts should be examined by an expert auditor who must be the servant of the Parliament, and (*d*) that a such committee, not the whole house, should sift the results of the information furnished by the Auditor. By 1862, the appointment of the Committees was incorporated in a Standing Order of the House of Commons. In 1866, the Exchequer and Audit Act was passed providing for audit by an independent Auditor General as an officer of Parliaments who should report

to the House of Commons the result of his audit, and the last portion of the circle of financial control became complete when the Committee on Public Accounts had done its duty on such reports.

Public Accounts Committees began to function in India from April 1921. To make the Committees popular bodies, initially, not less than two thirds of the members were elected by the non-official members of the Legislature the remainder being nominated. The constitution and functions of the Public Accounts Committee were regulated by the Indian Legislative Rules and the Provincial (separate for every province) Legislative Rules made by the Governor General in Council with the approval of the Secretary of State in Council under Section 67(*i*)/Section 72D(5) read with Section 129A of the Government of India Act. Later it was considered that it was not essential to have uniformity in all matters in the Provinces covered by the rules.

FUNCTIONS OF THE PUBLIC ACCOUNTS COMMITTEE BEFORE 1950

Under the above rules the functions of the Public Accounts Committee were:

(1) to scrutinise the Appropriation Accounts and the Report of the Audit Officer thereon;

(2) to satisfy itself that the money voted by the Legislature had been spent within the scope of the demand granted by the Legislature;

(3) to bring to the notice of the Legislature:

  (*a*) every case of a breach of the principle that no re-appropriation may be made from one grant to another;

  (*b*) every re-appropriation within a grant which was not made in accordance with the rules regulating the functions of the Finance Department, or had the effect of increasing the expenditure on an item the provision for which had been specifically reduced by a vote of the Legislature; and

  (*c*) all expenditure which the Finance Department had requested should be brought to the notice of the Legislature.

The Central Public Accounts Committee in 1923 considered the Audit Report on Army, Marine and Military Works Accounts for the year 1921-22 with the assistance of the Financial Adviser, Military Finance and the Military Accountant General. But in 1924 doubts were felt regarding the competence of the Public Accounts Committee to deal with Defence expenditure that was "non-voted". It was, however, considered advantageous to place the Committee in full possession of the accounts relating to Military

expenditure, thus giving it an opportunity of instructing itself in this regard to help it later if and when it became its duty to scrutinise military expenditure. It was then decided that the Auditor General's report on military expenditure should be submitted to the Secretary of State and a copy placed before the Public Accounts Committee for information. In view, however, of the desirability of submitting the report to some definite and responsible examination an *ad hoc* Committee of Military Accounts was set up in 1925 which consisted of the Finance Member, the Finance Secretary and the Army Secretary. In 1929, the Army Secretary was replaced by the Controller of Civil Accounts.

In 1926, the constitutional position regarding the scope of the Committee's functions was thrashed out. It was held that the Committee was entitled to scrutinise all matters included in the Appropriation Accounts and the Audit officers report thereon whether in regard to voted or non-voted expenditure or receipts of revenue or stores, with the exception of cases arising in a "Backward Tract" to which the provisions of Sections 72D of the Act of 1919, under which the legislative rules were framed, did not apply. It was also held that the Committee was entitled to express its opinion upon the conduct of the administrative department in respect of its accounts, and the decision of the Finance Department affecting the latter, and to criticise improper and wasteful expenditure or unwise methods of financial administration.

In 1931, the Public Accounts Committee again considered the procedure for dealing with the Military Appropriation Accounts and allowed the examination by an *ad hoc* Committee to continue in view of the highly specialised and complicated nature of much of the material in those accounts. The Committee, however, decided to nominate three of its non-official members in place of the Controller of Civil Accounts. It has been stated in Chapter XII that the post of Controller of Civil Accounts got converted into that of Deputy Auditor General among the various measures adopted to deal with the depression of 1929-31. In November 1948, it took a decision not to continue the Military Accounts Committee and since then the Public Accounts Committee as a whole has been dealing with the Military Appropriation Accounts and the Audit Report thereon.

In 1927, the Auditor General circulated a printed memorandum on "The Work of Public Accounts Committee" as it might be of use to all members of the Public Accounts Committee throughout India and to those executive officers who had to work in close touch with those Committees; explaining the nature of the duties entrusted to them, the manner in which those duties should be performed and the results which might be anticipated

if those duties were performed efficiently. He said that the duty of the Committee could be summed up in the brief yet important phrase that it was to ascertain that the money granted by the Legislature had been spent by the Executive "within the scope of the demand". Under the Indian system estimates of expenditure are presented to the Legislature in the form of "demands for grants" which include both "voted" and "non-voted" or "charged" items though the former alone are required to be voted upon. The implications of the phrase within the scope of the demand were explained by them as follows:

(1) that the money recorded as spent against a grant must not be larger than the amount granted;

(2) that the expenditure brought to account against a grant must be of such a character as to warrant its record against that grant and against no other;

(3) that the money had been spent on purposes set out in the detailed demand and not on "any new service not contemplated in the demand". (The definition of the phrase "New Service" is of importance and the question is dealt with under a heading by itself later) and

(4) that the money had been spent with due regularity, *i.e.*, in accordance with the rules of sanction and appropriation. Since voted and non-voted expenditure was so closely interwoven and subject to the same rules, the Auditor General supported in his brief the legal ruling that the Committee was entitled to deal with any matter brought to its notice in the Audit and Appropriation Report and pointed out that there were many practical advantages in that ruling. As the extent to which the Legislature could control expenditure was governed very largely by the form of the demand, the Auditor General stated that it became the duty of the Committee to bring to the notice of the Legislature any changes which it deemed desirable in the form of the accounts.

Under paragraph 11(4) of the Government of India (Audit and Accounts) Order, 1936, the Auditor General continued to be responsible to prepare and submit Appropriation Accounts to the Government of India and the Provincial Government and under paragraph 13 *ibid* the results of the audit conducted by the Auditor General continued to be reported to the Legislature concerned through the medium of the Audit Reports which he was required to submit under Section 169 of the Government of India Act, 1935. Provision was made in Section 38(3) and 84(3) of that Act allowing the Legislative Rules previously made under the Act of 1919 to continue in force until

fresh rules were made under those sections subject to such modifications and adaptations as might be made therein by the Governor General/Governor in his discretion.

An important change that occurred under the Act of 1935 was that under Section 170 thereof the Auditor of Indian Home Accounts became subject to the general superintendence of the Auditor General of India and had to submit his audit reports to the latter for incorporation in the Central or Provincial Audit Report, as the case may be. After Independence the position of the Auditor of Home Accounts who was redesignated Auditor of Indian Accounts in U.K., *vis-a-vis* the Auditor General became similar to that of any Accountant General in India. Another change after Independence was that the Finance Minister replaced the Finance Member of the previous Executive Council as Chairman of the Public Accounts Committee.

The coming into force of the Concordat from the 1st April, 1937 was another important change that affected the scope of the Audit Report. This has been dealt with in detail in Chapter XIV as also its abrogation in 1950.

Appropriation Accounts and Audit Reports showing the results of audit are now submitted to the President/Governor under Art. 151 *ibid.*

There are several points of difference between the Government of India Act, 1935 and the Constitution in respect of provisions in the budgetary field, to make Parliamentary control more effective. Art. 265 of the Constitution lays down that no tax shall be levied or collected except by authority of law. There was no corresponding provision in the Act of 1935. The provisions made in the Constitution for the Consolidated Fund, Contingency Fund and Public Account (Arts. 266 and 267) have been dealt with in Chapter XIII. Provision is also made in the Constitution (Arts. 114 and 204) for formal Appropriation Acts in place of the schedule of authorised expenditure authenticated by the Governor General/Governor under the Act of 1935 (Sections 35 and 80). The vote of the Legislature was not final in the 1935 Act as the Governor General/Governor could override the adverse vote of the Legislature in refusing or reducing supplies by certification under Sections 35(1) and 80(1). The Constitution has no similar provision. The Constitution contains provision for votes on account (Arts. 116 and 206), votes of credit and exceptional grants. The absence of a provision for "votes on account" prior to 1950 meant that the budget had to be passed by the 31st March. It had occasionally happened that this could not be done until a few days after the beginning of the financial year. In the absence of control over exchequer issues disbursements during these few days could not be prevented and so long as audit was satisfied that the

delay was involuntary and that the necessary steps to secure authentication at the earliest possible date were taken, subsequent vote for the whole financial year by the Legislature was treated as sufficiently regularising the expenditure already incurred.

The Constitution makes provision for excess grants, in addition to a Contingency Fund for meeting unforeseen expenditure. Both the Acts of 1919 and 1935 did not provide directly for dealing with actual excess expenditure not regularised by the Legislature through supplementary demand within the financial year. In practice such excesses were regularised by presenting demands after the year on the basis of the report of the Public Accounts Committee and with reference necessarily to the comments on the excess offered by Audit. If Audit was satisfied that the excess w s unavoidable or venial and the Public Accounts Committee took the same view the Legislature was expected to regularise the position by granting the demand. The provision in the Constitution for a Contingency Fund for meeting unforeseen expenditure pending authorisation by the Legislature and the categorical prohibition on withdrawal from the Consolidated Fund except under Appropriation by Law (*vide* Arts. 114(3), 204(3)) and 266(3) rendered obsolete the earlier provisions in the Financial Regulations that it was no economy to postpone inevitable payments even for the purpose of avoiding an excess over a grant or appropriation. The revised rules, therefore, make it clear that it is not open to a disbursing authority to incur or authorise payments in excess of the authorised appropriation. He should approach the administrative authority who will then arrange before payment for funds by reappropriation, supplementary grant or appropriation or an advance from the Contingency Fund.

Important Changes since Independence in the Audit Reports

The Audit Reports on Appropriation Accounts are documents of great importance and their preparation has always received the personal attention of the Accountants General, and successive Auditors General have tried their best to improve upon procedures and practices already in vogue and several conventions have also got established between the Comptroller and Auditor General and Government. One such convention has been that in order that only agreed statements of facts and completed cases may be included in the report, cases relating to any previous year, which have become ripe for inclusion since the writing of the last report, are included in the report of the first convenient year.

At the suggestion of the Comptroller and Auditor General, the Public

Accounts Committee agreed in July, 1952, that whenever any delay was anticipated in the completion of Appropriation Accounts, the Comptroller and Auditor General might at his discretion present an advance Audit Report (to be described as Audit Report Part I) dealing with cases of financial irregularities, losses of public money due to fraud or negligence, wasteful or nugatory expenditure and criticisms and comments thereon.

From the Reports of 1951 relating to the year 1949-50 some matters relating to a later year than the year under report began to be included.

From the Report of 1955 on the Accounts of the year 1953-54 irregularities in respect of which adequate remedial measures had been taken by Government were excluded from the Report.

In the Central (civil) Audit Report, 1957 it was stated that, in future, cases where Government had not reached a final conclusion within a reasonable period would be included in the Report. A reference to a similar decision after the Montford Reforms has been made earlier.

Commencing from the Accounts for 1960-61 (Audit Report 1962) several important changes in the form and arrangement of material in the Appropriation Accounts and the Audit Report have been introduced.

(1) It had always been the practice in the years prior to 1960-61 to show the actual expenditure against each primary unit of appropriation even though there were items that were very small, with the result that the Appropriation Accounts became very voluminous. That year, actual expenditure began to be given by grouped heads and not by primary units. That itself brought the size of the Central Appropriation Accounts from 1700 to 400 pages and made that more readable. A year later this was further reduced to just 80 pages by confining with the approval of the Central Public Accounts Committee the information under each grant to those items in which there were excesses or savings and also to those items in which there were any particular features to mention. Some State Public Accounts Committees agreed to a similar change in the State Appropriation Accounts but some did not. The advantage of the change was not only a question of size but of not missing the wood for trees.

(2) It has been the experience that Public Accounts Committees go more thoroughly through the Audit Report on the Appropriation Accounts than that on the Finance Accounts. It was considered an improvement, therefore, to bring out the more salient points of interest arising out of the Finance Accounts in the Audit Report on the Appropriation Accounts. This would enable members of the Public Accounts Committee to review the financial position of the State or Centre or Department as a whole and help them to consider matters coming before them with due regard to the

background.

(3) Audit Reports began not to be confined to merely individual irregularities or individual items of wasteful expenditure but tried to present a financial review of various projects, schemes, etc., undertaken by Government, the total expenditure and the failures in execution of the policy, not the policy itself which was not at any time within the field of audit or of the Public Accounts Committee.

(4) Information which even though necessary for statistical purposes was not really necessary for purposes of understanding the financial operations of the Executive Government has been weeded out.

(5) Minor irregularities which used to be included as notes under the respective grants are now included as an Appendix to the Audit Report.

From the Audit Report, 1963 on the Accounts for 1961-62, the Reports relating to (*i*) Revenue Receipts, and (*ii*) Government Commercial activities are being presented in separate volumes.

Functions of the Public Accounts Committee Since 1950

Reference has been made earlier to the functions of the Public Accounts Committee when it was constituted in 1921. The functions of the Central Public Accounts Committee now are as follows as embodied in the Rules of Procedure and Conduct of Business of the House of the People:

> 143(1) "There shall be a Committee on Public Accounts for the examination of the accounts showing the appropriation of the sums granted by Parliament to meet the expenditure of the Government of India and such other accounts laid before Parliament as the Committee may think fit.
>
> *   *   *
>
> 144(1) In scrutinising the Appropriation Accounts of the Government of India and the report of the Comptroller and Auditor General thereon, it shall be the duty of the Committee on Public Accounts to satisfy itself:
>
> (*a*) that the moneys, shown in the accounts as having been disbursed were legally available for and applicable to the service or purpose to which they have been applied or charged;
>
> (*b*) that the expenditure conforms to the authority which governs it; and
>
> (*c*) that every re-appropriation has been made in accordance with the provisions made in this behalf in the Appropriation Act, or under

rules framed by competent authority under the provisions of the said Act :

Provided that the provision made in clause (*c*) above shall not apply to any accounts prior to the year 1950-51.

(2) It shall also be a duty of the Committee on Public Accounts:

(*a*) to examine such trading, manufacturing and profit and loss accounts and balance sheets as the President may have required to be prepared, and the Comptroller and Auditor General's report thereon; and

(*b*) to consider the report of the Comptroller and Auditor General in cases where the President may have required him to conduct an audit of any receipts or to examine the accounts of stores and stock."

The Committee's probe is strictly on non-party lines. Stressing this point, the Speaker told the Central Public Accounts Committee on the 9th May, 1951:

"You cannot ignore an irregular expenditure merely because it is incurred say, on Khaddar. . . The moment you find that some money is spent irregularly, you should not say, it is all right, because it is spent for a good purpose. You are sitting there to go by what Parliament has thought over the matter. . . We are divided, opposed, so long as we discuss a matter. . . The moment finality is reached, it should be the effort of every one to support that. Of course, it is open to any one to agitate and reverse the decision; that is a different matter. So long as the decision stands it must be loyally given effect to . . . The direct corollary is that there must not be any party politics so far as the examination of these accounts is concerned."

Throughout the years, the Committee has faithfully avoided giving any kind of a political complexion to its discussions. The Government while placing before the Legislature demands for excess grants is required to place the recommendation of the Committee relating thereto before the House. The Auditor General is required to bring to the Committee's notice difficulties in interpreting "New Service". Right from 1921, the Committee has concerned itself and lent encouragement to Audit to go into matters relating to the propriety of expenditure apart from its regularity. This has been dealt with in Chapter XIV in detail.

Since the report of the Public Accounts Committee is a non-party document, any debate in Parliament on the report, which is a rare occurrence is not regarded, as pointed out by Shri R.R. Morarka, Chairman of the Public Accounts Committee in the Lok Sabha on the 22nd August, 1966, as a

confrontation between the Opposition and the ruling party but one between the House and the executive wing of Government.

The position regarding State Committees is not very different

Composition of the Public Accounts Committees

At the Centre, the Committee consists of 15 members elected by the House of the People with whom since 1954-55 are associated seven members from the Council of States with a non-official Chairman appointed by the Speaker. Such association of the Council of States has evolved out of the facts that, the Budget in India is placed before both the Houses (Art. 172) and similarly the reports of the Comptroller and Auditor General relating to the accounts are laid before both the Houses (Art. 151). In States with two Houses the position is similar.

Executive Government and the Reports and Recommendations of the Public Accounts Committee

The procedure to be followed in implementing the recommendations of the Public Accounts Committee was laid down[23] in 1930 in a Resolution of the Government of India, Finance Department. When the Government could not implement the recommendations or disagreed with them, a full memorandum on the subject containing the Government's views is required to be placed before the Committee at a subsequent session for its consideration. The Committee may, if it thinks fit, present a further report to the House after considering the Government's views.

This practice has been in vogue ever since but for one or two instances of deviation. After the Public Accounts Committee had presented its Fourth Report in 1952-53, the Commerce Minister at that time had made a statement on the import and sale of Japanese cloth without consulting the Public Accounts Committee. The Committee came to the conclusion that the matter should have been referred to it and the Speaker, Shri G. V. Mavalankar, upheld the established convention. A circular conveying his ruling was issued to all Ministries in 1953.

The questions as to the nature of the recommendations of various Parliamentary Committees such as Committees on Subordinate Legislation, Estimates, Public Accounts, and Assurances and the extent to which they should be taken to be decisions of Parliament and automatically binding on

[23] Government of India, Finance Department Resolution No. D/1200-B, dated the 13th June, 1930.

Government were considered[24] in 1957. The Department of Parliamentary Affairs took note of the fact that under existing position the Reports of the various Committees are not discussed in Parliament, and consequently Government had no opportunity to expound its stand in Parliament on the recommendations made therein. It apprised all Ministries of the following conclusions :

(1) Technically and formally, the recommendations of a Parliamentary Committee are not directions of the House and they cannot, therefore, be held to be automatically binding on the Executive.

(2) The natural tendency of the Government should normally be to accept in principle the recommendations of the Committee.

(3) Where it is not possible for Government to accept any recommendation, in part or in whole, the reasons for non-acceptance should be communicated to the Committee concerned.

As regards the question as to the effect of non-acceptance by Government of any recommendation and how difference of opinion between the Government and a Committee would be disposed of, it was left to the development of conventions. It was expected that a more precise definition of the practical scope of the various Committees and opportunities of expression of Government's views on their recommendations on the floor of Parliament would create appropriate conventions.

In the Lok Sabha on the 12th August, 1966 the Speaker, Shri Hukam Singh, while giving his ruling on a privilege motion against the Finance Minister, made important observations on the well-established practices to be followed by the Government in the case of all reports by Parliamentary Committees. He made it clear that the Public Accounts Committee does not consult the Government as to when and how it should report. It was left to the Committee to conduct its work as it liked and to take its own time. The Committee was answerable only to the House and the Speaker, and their directions alone are binding on the Committee. In a Parliamentary system of Government, he said, a Parliamentary Committee is an ally of Government and both should proceed on mutual trust and respect. He referred to the twin conventions—that, normally a recommendation of the Committee should be accepted by the Government and, in case of disagreement, points of difference should be resolved by discussion between the Government and the Committee. It is only in the event of an unresolved difference that the matter comes before the House ultimately in the shape of a report from the Committee when both the points of view are placed at

[24] Government of India, Department of Parliamentary Affairs No. 169(L)57-PA, dated the 26/27th April, 1957.

the same time. He hoped that these traditions which have been built over the years and are based on those in Britain during the last 80 years, would be scrupulously followed in future.

AUDIT AGAINST PROVISION OF FUND AND APPROPRIATION

Audit against provision of funds is directed primarily to ascertaining that the money expended has been applied to the purpose or purposes for which the Grants and Appropriations specified in the Schedule to the Appropriation Act were intended to provide and that the amount of expenditure against each Grant or Appropriation does not exceed the amount included in that Schedule.

Each Grant or Appropriation specified in the Schedule to the Appropriation Act is a single total sum appropriated to the purposes set out in it. The particulars of a Grant or Appropriation in that Schedule are, however, based on the detailed estimates drawn up for the information of the Legislature. The distribution in these estimates between the various sub-heads and items is, therefore, taken as general evidence of the purposes for which the Grant or Appropriation is made and the expenditure is recorded against the Grant or Appropriation and the sub-head of the Grant or Appropriation under which provision is made for the service.

Audit has to satisfy itself that the expenditure falls within the ambit of a Grant or an Appropriation specified in the Schedule to the Appropriation Act. Expenditure in excess of the amount of a Grant or Appropriation as well as expenditure not falling within the scope or intention of any Grant or Appropriation as specified in the Schedule of Appropriation Act, unless regularised by an Appropriation Act embodying the Supplementary Grant or on Appropriation, will be treated as unauthorised expenditure.

For purposes of financial control each Grant or Appropriation is divided into a number of units called "sub-heads", each of which may be sub-divided into smaller units of appropriation corresponding to sub-heads or detailed heads of accounts.

Within the amount of each Grant or Appropriation as shown in the Schedule of Appropriation Act, all allotments to, and re-appropriations within, sub-heads and sub-divisions of sub-heads may be sanctioned by Government or by such subordinated authorities as are duly authorised to do so. This is, however, subject to the limitation that any expenditure not falling within the scope or intention of a Grant may not be authorised from funds provided under that Grant. Any allotment or re-appropriation within a Grant or Appropriation may be authorised at any time before, but not

after the expiry of the financial year to which such Grant or Appropriation relates.

Re-appropriation from one Grant or Appropriation to another Grant or Appropriation are not permissible.

Audit has also to see that the total expenditure on each of the sub-heads fixed as units of appropriation under a Grant or Appropriation does not exceed the allotment thereunder as modified by orders of re-appropriation passed by competent authority from time to time. The first duty involves a responsibility to the Legislature, the second to the financial authority of the Executive Government, *i.e.*, the Finance Ministry/Department.

In the case of a single Grant or Appropriation which is divided into an English and an Indian portion, Audit officers in India are responsible for watching expenditure not only against the Indian portion but also against the Grant or Appropriation as a whole. The Appropriation Audit conducted by the Director of Audit, Indian Accounts in the United Kingdom, is confined in such a case to seeing that the expenditure in the United Kingdom does not exceed the several sums allotted for such expenditure by competent authority.

Unless it is otherwise desired by Government as a special case, or where there is a division of superintending control between departmental authorities over a sub-head, Appropriation Audit will not be exercised beyond sub-heads of a Grant or Appropriation fixed as units of appropriation for the purposes of Appropriation Accounts. In the case of Public Works Department expenditure, however, Appropriation Audit may be conducted in respect of all works or items of expenditure, the allotments for which, whether individually or by groups, are provided separately for each division.

Detailed Appropriation Audit is conducted in two stages:

(1) the audit of orders or allotment of funds and re-appropriation which are to be enforced in audit, and

(2) the audit of expenditure against allotments.

The audit of orders of allotments and re-appropriations consists in seeing:

(*a*) that an authority making allotments under a Grant or Appropriation does not allot amounts in excess of those available under the Grant or Appropriation;

(*b*) that the amount appropriated is available under the unit from which it is allotted;

(*c*) that the order is issued by competent authority; and

(*d*) that the allotment or appropriation is for covering expenditure within the scope or intention of the grant, *i.e.*, is not for a new service.

The Audit officer may be required to see on behalf of the Executive Government that :

(*a*) if under the financial rules of that Government a particular object of expenditure requires a specific allotment, all expenditure on it is audited against such allotment; and

(*b*) if a lumpsum allotment is made for a group of items of expenditure of an office, the total expenditure thereon is audited against the lumpsum placed at the disposal of the disbursing officer for the purpose.

When, however, several officers are authorised to incur charges relating to a unit of appropriation, against lumpsum allotment placed for the purpose at the disposal of a single higher authority, it devolves upon that authority to watch the progress of expenditure in all the offices and to keep the aggregate charges within the allotment. If the Audit officer is requested by Government to audit the charges against the allotment, he complies with the request.

Concurrently with the conduct of Appropriation Audit, the Indian Audit and Accounts Department watches the progress of expenditure against (1) the Grant or Appropriation as a whole, and (2) allotments for sub-heads, and, where necessary, against subordinate units of appropriation, and issues warnings to disbursing officers, and, if necessary, to controlling authorities also, when excesses appear to be likely. But actually, the responsibility for watching the progress of expenditure against a Grant or Appropriation rests with the Executive, and the Executive is ultimately responsible for keeping the expenditure within the Grant or Appropriation. Audit renders all legitimate assistance to the Executive in this matter and sees that suitable and adequate arrangements exist in all departments of Government for the control of expenditure.

There are some variations in the responsibility in regard to Appropriation Audit in the case of departments whose accounts are kept by a separate organisation not subordinate to the Comptroller and Auditor General.

New Service

The Auditor General in his Memorandum of 1927 on "The work of a Public Accounts Committee", to which a reference has been made earlier, pointed out that "a new service not contemplated in the demand", before incurring expenditure on which the vote of the Legislature would be necessary under Rule 50/32 of the Indian/Provincial Legislative Rules, may be a new form of service or a new instrument of service. He illustrated the difference

between the two as follows: If in a Province there was no Borstal Institute and one was inaugurated that undoubtedly would be a new form of service. If it was proposed to build a new jail, it would not be a new form of service as it would be only additional to those already in existence; it would, however, be a new instrument of service. An additional Chowkidar or Watchman would also be a new instrument of service but as the cost involved would be very small it was not practical politics to insist on the vote of the Legislature to it. It was, however, obviously essential to obtain an additional grant if the new instrument of service was of the importance of a new jail or university entailing very considerable expenditure. Exactly where between these extremes the line should be drawn was a matter which must be settled by case law. He thought that it was undesirable that so important a question should be left in so uncertain a condition and suggested that when the Act was next amended, the opportunity should be taken to make the provisions of the rules under the Act more precise on this important matter.

In the absence of any authoritative legal interpretation of the term "New Service" occurring in the Legislative Rules to guide the Audit Department and the Executive, the Government of India requested[25] the Secretary of State in July 1927 to include a definition of the term as interpreted by the Auditor General in India in the Legislative Rules. The Secretary of State was, however, of the opinion that "it would seem permissible and even desirable to allow a certain measure of elasticity in interpreting the term with a view to adaptation to a variety of circumstances". It was accordingly decided[26] after considering the practice in England, that there should be no rigid definition of the term that the application of the term to concrete cases would best be governed by the evolution of a body of case law. In the course of his comments on the Appropriation Accounts for 1926-27 the Auditor General raised the question of the definition of the term and also supplied the Public Accounts Committee with a memorandum which indicated the British practice and suggested the fixing of monetary limits for various categories of new instruments of service. The Committee agreed that there should be no cast iron rule and that cases should be considered on the basis of case law. In order to evolve a body of case law, it was arranged that doubtful cases of "New Service" should be brought to the notice of the Public Accounts

[25] Government of India, Finance Department Despatch to the Secretary of State No. 21, dated the 14th July, 1927.

[26] Secretary of States Despatch No. 48 Financial, dated the 10th November, 1927 Para 22 of the Central Public Accounts Committee's Report on the accounts for 1926-27 and Government of India, Finance Department Resolution No. D/1407-A, dated the 17th May, 1929.

Committee through the Appropriation Accounts.

In 1932, the question was raised by the Bengal Government whether the Legislature or the Auditor General was the final authority to decide cases where there was a difference of opinion on the question whether a particular item of expenditure did nor did not constitute a "New Service". The conclusion arrived at was that items of expenditure on what appear to audit to be "New Service" would be brought to the notice of the Public Accounts Committee in the Appropriation Report and Audit would accept the view finally taken, after due discussions of such items by the Public Accounts Committee. Thereafter if any issue remained it would be an issue between the Executive Government and the Legislature. The Central Government by convention accepts the Public Accounts Committee's conclusion in the matter. The position in the States may be said to be similar.

Successive Auditors General have taken the view that it would be inappropriate to attempt any precise definition of the term "New Service". Prior to 1950 the term occurred in the Legislative Rules. Now it occurs in the Constitution itself in Arts. 115 and 205. It has been recognised that this makes a fundamental change and a formal and legal interpretation can be given only in keeping with Art. 367 of the Constitution. Case law by and large continues to regulate consideration of concrete cases. It has, however, been possible to enunciate certain fairly definite propositions for guidance. A new item of service is not necessarily a "New Service", but expenditure which involves the adoption of a new policy, a new activity, a new facility or major alteration in the character of an existing facility would normally constitute a "New Service". Expenditure on a new form of service, irrespective of the quantum of the expenditure involved can be incurred only after authorisation by the Legislature. By "New Instrument of Service" will be meant an important extension of a provision, specific commitment or facility, provided the amount involved is appreciable, *i.e.*, in this category the main criteria will be the magnitude and importance of the expenditure.

Some of the Public Accounts Committees in States have laid down monetary limits to determine "New Instruments of Service" that could be taken up without prior legislative approval. The Central Public Accounts Committee has also in April 1963 indicated the limits within which works not contemplated in the Budget Estimates can be taken up without prior legislative approval. The case law as evolved on the basis of decisions of the Public Accounts Committee on various specific items of expenditure is included for permanent record in "The Epitome of the Reports of the Public Accounts Committees and Government Orders thereon", printed at intervals of several years. At the Centre two volumes of the Epitome, one covering

the period from the constitution of the first Committee in 1921-22 to the Partition of India and the other from Partition (15th August, 1947) to 1956-57 have been published.

CHAPTER XVI

MISCELLANEOUS FUNCTIONS

(A) UNDER THE TREASURY RULES

The functions of the Comptroller and Auditor General in relation to the maintenance of the accounts of the Union and the States and the audit thereof as also regarding audit of Public Enterprises have been dealt with in Chapters XIII to XV. The combination of accounting and audit duties except in departments where there has been separation of Accounts and Audit has led to the Audit Officer being entrusted with several miscellaneous duties.

Under the Government of India Act, 1935 the balances of the Central and Provincial Governments were separated from the 1st April, 1937, and the several Governments were empowered by Section 151(1) of that Act to frame rules for the purpose of payment of moneys into their Public Account and for withdrawals therefrom. The rules so framed were known as Treasury Rules. After the 26th January, 1950, Art. 283 of the Constitution has made similar provisions for making rules in regard to payment into and withdrawal from the Consolidated Fund, Contingency Fund and the Public Account. Governments which had made rules under the 1935 Act declared that those rules would be deemed to be rules made under the Constitution. The rules so far as they affected the duties or functions of an officer of the Indian Audit Department received the general concurrence of the Auditor General. These duties or functions are dealt with in a broad way in the succeeding paragraphs.

An Accountant General may, within the limits of his own jurisdiction, permit withdrawal of moneys from the Treasury for any purpose. In some special cases he has been authorised to permit withdrawal at a place outside his own jurisdiction. Treasury Officers are required to carry out any retrenchment or recovery from a drawing officer intimated by the Accountant General without delay and without regard to any correspondence undertaken or contemplated by the drawing officer with the Accountant General. Except in regard to interest on Government Securities and certain classes of payments governed by special rules or orders of Government, and pension which is dealt with later, no claims against the Government not preferred within one year of their becoming due can be presented for payment at a Treasury without an authority from the Accountant General.

Except when for special reasons otherwise ordered by the Government with the concurrence of the Auditor General, no withdrawal is permitted in order to meet the pay, leave salary or allowances, reward or honorarium of a Gazetted Officer of Government or any pension until the Accountant General has intimated to the Treasury Officer the rate at which payment should be made. Gratuity or commuted value of pension also requires the Accountant General's authority before payment. Further in the case of a Gazetted Officer all changes in emoluments require the Accountant General's letter of authority or the bill for the changed amount should be pre-audited by the Accountant General. No leave can be sanctioned to a Gazetted Officer, until its admissibility has been certified by the Audit Officer. All personal advances to a Gazetted Officer other than advances on transfer or on tour or on account of travel concessions during regular leave, for medical attendance and treatment and of travelling allowance in respect of journeys on retirement wherever admissible, require authorisation by the Accountant General or the claim has to be pre-audited by him. Passages where passage concessions are admissible also require his authority and he arranges for their payment, both in the cases of Gazetted and non-gazetted officers.

If a pension remains undrawn for three years in the case of a service pension or six years in the case of a political pension it cannot be paid without the authority of the Accountant General.

Grants-in-aid, contributions, etc., sanctioned by the Government or by the Head of a Local Administration cannot be disbursed at the Treasury except under the authority of the Accountant General.

The first withdrawal from Provident Fund for the payment of premia on policies of life insurance when permissible under the rules of the Fund requires the authority of the Accountant General. In the case of Gazetted Officers the Accountant General keeps the Treasury Officer informed of the connected details for verification of subsequent withdrawals. Final payments of Provident Fund deposits of subscribers are also arranged by Accountants General. Maintenance of Provident Fund Accounts (with a few exceptions) involves the Accountant General in duties relating to check of admissions to Provident Fund, scrutiny and record of nominations, calculations and credit of interest etc. Pensions and other benefits payable from Family Pension Funds under Government other than those for Military personnel are paid under the authority of the Accountant General.

Repayment of lapsed deposits previously credited to Government requires the sanction of the Accountant General.

No loan granted to a Municipality, Port Trust, or any quasi-public body or person can be issued except under the authority of the

Accountant General.

The privy purses of Rulers of the former Indian States are paid by Treasury Officers on the basis of the authority received from the Accountant General. Rules regulating the preparation of last pay certificates in cases of transfer on duty or of return from leave of gazetted and non-gazetted officers have been issued by the Auditor General and are binding on all concerned.

(B) Under the Financial Regulations and Service Rules

Under paragraph 15 of the Audit and Accounts Order, 1936 it is the duty of the Auditor General, so far as the accounts for the keeping of which he is responsible enable him to do so, to give to the Government of India and State Governments such information as they from time to time require and such assistance in the preparation of their Budget (Annual Financial Statement) as they may reasonably ask for. The extent of assistance rendered by the Accountant General in the preparation of the State Budget is not uniform in all the States. In some States he furnishes actuals from his books and prepares certain estimates which he can do more easily than any administrative authority, from the registers and books maintained in his office, *e.g.*, estimates for interest both of receipts and payments, superannuation allowances and pension, recoveries of loans and under most of the debt, deposit and remittance heads. In some States the Accountant General also scrutinises estimates with reference to the sanctions for fixed charges.

At the centre, where the Budget is more complex, the association of the Accountants General is a bit closer. The Estimates of the Civil Departments and Union Territories are prepared by the administrative authorities and compiled by the Provincial Accountants General, the Accountant General, Commerce, Works and Miscellaneous and the Accountant General, Central Revenues. The Budget estimates are prepared in two parts, Part I—Standing charges and Part II—Fresh charges. All capital expenditure comes in Part II. Blank budget forms (both of receipts and expenditure) are supplied by the Accountant General before the 1st September to each estimating officer, after recording the actuals concerning him for the two years preceding the last year in ink and those for the last year to end of March supplementary in pencil, with a printed memorandum of instructions for the guidance of the local officer. Two sets are meant for transmission to the Administrative Ministry concerned and two to be returned to the Accountant General. On receipt back of the latter sets not later than the 15th October, the estimates in Part I—Standing charges are checked with reference to audit registers, sanctions etc., and the changes recommended in the proposed estimates of the

local officers are drawn up and sent to the Ministry of Finance. Orders on the estimates after consulting the Administrative Ministry, are then issued by the Ministry of Finance and communicated to the Accountant General and Administrative Ministry. Forms for the preparation of budget notes are supplied by the Ministry of Finance about the middle of December. A separate form is provided for each Major Head of Revenue and Expenditure. These are completed and returned to the Ministry in the second week of January. The Accountant General includes therein figures for the estimates for the preparation of which he is responsible such as interest, superannuation allowances and pensions, etc. Along with the budget notes, the statements for Demands for Grants are also sent by the Accountant General to the Finance Ministry. By the 14th January estimates of debt, deposit and remittance heads are submitted by the Accountant General to the Finance Ministry. When the budget notes and demands for grants are received from all Accountants General, the Finance Ministry reviews them and consolidates them.

The whole budget staff of the Accountant General, Central Revenues is deputed to work in the Ministry of Finance from the 1st February, till some days after the presentation of demands to the Lok Sabha. In the second week of February, Accountants General intimate to the Finance Ministry alterations of Rupees one lakh or more under any major head which they consider necessary.

After the budget is passed, three monthly and six monthly estimates of important alterations considered necessary in the current year's estimates are sent by the Accountants General to the Ministry of Finance.

The Posts and Telegraphs Estimates are prepared by the Financial Adviser, Posts and Telegraphs in consultation with the Accountant General, Posts and Telegraphs. In the Railways and Defence since Audit and Accounts are separate, the Indian Audit and Accounts Department has no responsibility in the preparation of the budget. Estimates of expenditure in England are proposed by the High Commissioner for India in London in consultation with his Financial Adviser and finalised by the Finance Ministry after taking into account modifications suggested by the Department administratively concerned.

It is the duty of the Accountants General to audit against regularity and propriety all sanctions which involve grant of land or assignment of revenue, or concession, grant, lease or licence of mineral or forest rights or a right of water power, or any easement or privileges in respect of any such concession, or which in any way involve a relinquishment of revenue.

Accountants General are required to watch the realisation of

miscellaneous demands of Government not falling under the ordinary revenue administration, such as contributions from State Governments, Local Funds, contractors and others towards establishment charges. Recovery of leave and pension contributions on behalf of Government employees on foreign service is watched by the Accountant General.

In order to secure efficiency and uniformity of audit in relation to leave procedure, the Comptroller and Auditor General has been empowered to issue instructions. The instructions so issued are binding on the administrative departments and gazetted and non-gazetted officers concerned on the Civil side.

A record of services of gazetted officers in the form of printed "History of Service" or individual "Service Card" is required to be maintained by Accountants General for the record of all facts in the official career of an officer which have a bearing on pay, promotion, leave, pension, etc. In the case of non-gazetted officers for whom service books have been prescribed under the orders of the Government concerned, the form of the service book is prescribed by the Comptroller and Auditor General.

(C) Under the Constitution

It is the duty of the Comptroller and Auditor General under Art. 279(1) of the Constitution to ascertain and certify for the purposes mentioned in certain provisions of Chapter I of Part XII of the Constitution the net proceeds in a financial year of any tax or duty, or of any part of any tax or duty, in or attributable to any area. This involves the collection and the correct fixation of the figures attributable to tax on Union emoluments and duty attributable to Union Territories as also the cost of collection.

Income Tax Officers and Controllers of Estate Duty furnish Departmental figures for the purpose which are test-checked by Accountants General and reconciled with Account figures. The certification by the Comptroller and Auditor General as to the figures of net proceeds is under the Constitution final. Similar provision existed in Section 144 of the Government of India Act, 1935.

State Accountants General are responsible for watching in audit the due compliance of directions issued by the President to a State, which are of a financial or quasi-financial character.

(D) Duties by Consent

Section 166(3) of the Government of India Act, 1935 which corresponds

to Art. 149 of the Constitution confined the duties and powers of the Auditor General to the accounts of the Federation (later the Dominion) and of the Provinces. Based on the wording of this section, the Government of India on the advice of the then Legislative Department took the view that neither by an Order in Council under Section 166(3) nor by an Act of the Federal Legislature enacted in pursuance of the sub-section would it be possible to impose duties or confer powers on the Auditor General otherwise than in relation to the accounts of the Federation and of the Provinces. It was further held that Section 166(3) was exhaustive of the means whereby duties could be imposed on the Auditor General of India, with the result that neither by Federal or Provincial Legislation nor by an executive direction of the any Federal or Provincial authority would it be possible to impose additional duties on the Auditor General. It was also considered that this interpretation, would not preclude the Auditor General from undertaking such additional duties by consent. The Government of India appears to have had in mind particularly local bodies and it was stated that a law of the appropriate legislature could be passed providing for the accounts of such and such a body being subject to audit to be conducted by the Auditor General for so long as he, with the concurrence of the Governor General, consented. These views were promulgated[1] in a letter of the 30th November, 1935 of the Government of India, Finance Department. Under Rule 12(1) of the old Auditor General's rules made by the Secretary of State in Council under Section 96D(1) of the Government of India Act, 1919, provision previously existed for audit of accounts of public and quasi-public bodies by the Auditor General and he was auditing the accounts of many such bodies before the coming into force of the Government of India Act, 1935.

When Art. 149 of the Constitution was originally drafted (it was then Art. 125) it was confined to the accounts of the Union and States. The words "or other authority" were added at the consideration stage and the word "body" was added probably at a later stage when drafting was revised. The debates[2] in the Constituent Assembly indicate that the scope of the Article was thus enlarged in order to include accounts of state owned corporations. Some such corporations had already come into existence and many more were expected to come into being in future.

In the United Kingdom there is no written Constitution and hence no constitutional limits on the powers or functions which may be exercised by the Comptroller and Auditor General or which may be conferred on him by

[1] Government of India, Finance Department letter No. D/10281-F, dated the 30th November, 1935.

[2] Constituent Assembly Debates, May 1949, Vol. VIII, p. 411-415.

Parliamentary law. In that country, Section 3 of the Exchequer and Audit Department Act, 1921 provides that the Treasury can by a minute laid before Parliament, ask the Comptroller and Auditor General to audit any account whether relating directly to the receipt or expenditure of public funds or not. In the United States of America, though it has a written Constitution, the Constitution does not contain any provision regarding powers and functions of the Comptroller and Auditor General. The very office of the Comptroller and Auditor General was created by ordinary law, the Budget and Accounting Act, 1921 (31 U.S. Code Annotated 42). Thus the position in these countries in regard to the imposition of duties on the Comptroller and Auditor General is different from that obtaining in India. A suggestion of the Public Accounts Committee, 1957-58 in paragraph 263 of its Seventh Report (2nd Lok Sabha) to examine the feasibility of enacting legislation in India similar to the American Public Law No. 245 of 1951 (65 U.S. Statutes at large 700) which provided that all contracts for works, supplies and services negotiated without advertisement pursuant to authority contained in the Federal Property and Administration Services Act of 1949 or the Armed Forces Procurement Act of 1947 should include a clause to the effect that the Comptroller General of the United States or any of his duly authorised representatives would have access to and the right to examine, until the expiration of three years after final payment, any directly pertinent books, documents, papers and records of the contractor or any of his sub-contractor engaged in the performance and involving transactions relating to such contracts or sub-contracts. This led to a detailed legal examination of the scope of Art. 149 of the Constitution and the following conclusions were arrived at: The necessary implication of Art. 149 is that the Comptroller and Auditor General cannot be required to perform duties and exercise powers other than those which may be permissible to be entrusted to him under that Article. The view taken in 1935 that the Auditor General of India could take upon himself additional duties of his own volition and with the concurrence of the Governor General, whatever its basis might have been, was against the clear language of Art. 149. The words "of any other authority or body" even though following the words "of the Union and States" should not be construed in a restricted way. The authority may be a statutory authority or a local authority or some other kind of authority. The body may be an association of persons incorporated or unincorporated. The words cannot, however, include an individual contractor or a firm of contractors who have entered into a contract with Government and the Comptroller and Auditor General cannot perform duties and exercise powers in relation to the accounts of individuals or associations

other than those covered by the interpretation given above. Parliament can provide by law that the Comptroller and Auditor General may perform his duties and exercise his powers in relation to the accounts of an unincorporated association of persons which enters into a contract with the Government but not in relation to the accounts of an individual or a firm contracting with the Government. The same will be the position in regard to Government in making a grant-in-aid attaching a condition that the accounts of the grantee should be open to examination by the Comptroller and Auditor General but the conferment of such power on the Auditor General will require a law of Parliament.

Reciprocal arrangements between Auditors General of Commonwealth countries in respect of audit of payments of one country made in the other, where made, are on consent basis.

CHAPTER XVII

RELATIONS WITH ADMINISTRATION AND PARLIAMENT

(A) Complementary Roles of the Several Parts of the Government Machinery

Before dealing in some detail with the relationship of the Indian Audit and Accounts Department with administration at its various levels and with Parliament and its Committees, it would be of interest to dwell first on the need for perfect understanding and co-operation between the different constituent parts of the Indian governmental machinery of which the Indian Audit and Accounts Department is a vital one. On this matter Shri M. V. Mavalankar, formerly Speaker of the Lok Sabha, made the following weighty and noteworthy observations:[1]

> "Though the entire set-up for the Government of the people is conceived as one whole for the benefit of the people and even though the division of work is also made with that purpose, it is yet unfortunately too true that, the several parts of the administrative machinery have yet to go a long way, before there could be perfect understanding and co-operation between the different constituent parts so as to make them as one indivisible whole in outlook, spirit and functions. It is perhaps inherent in human nature to forget the main purpose and to be individualistic while working with others for the same purpose and towards the same end. That is why we find many times conflicts not only of views but in action also, between the various constituents of the administration. The Legislatures feel that the Executive Governments are not properly respecting their wishes. The Executive feels that the Legislatures are interfering too much and hindering its work by raising various issues, points and doubts. The Executive and the Legislatures both feel that the Judiciary is putting a brake on their forward march and all these feel that the auditor is a source of great trouble because he raises various types of objections about the competency or propriety of this or that expenditure. And the point to be noted is that all these feelings are quite *bona fide* and sincere.
>
> "That there should be this feeling of mutual inconvenience or irritation

[1] Extract from an address of Shri G. V. Mavalankar, at the Conference of Chairmen of Public Accounts Committees held at New Delhi on the 30th April, 1955.

towards one another, by the various links of the administration as a whole, is undoubtedly an unfortunate situation. But it is no use and will serve no purpose, if we try to ignore the existence of the situation as a matter of fact. We have, therefore, to make a conscious effort of getting over the situation by a proper appreciation and understanding of the purpose of the entire governmental set-up, the spirit that ought to pervade that set-up and the fact that all the links ought to go together to make one homogeneous whole. This can be achieved only in course of time and by a realisation that all the various branches are expected to co-operate with each other with an understanding of the difficulties of each, which have to be overcome by mutual help and co-operation. It is not that the duty of one is only to find fault with the other and to show that the fault or defect in the administration is the result of something done or not done by the other. To whomsoever the defect may be attributed, so far as the ordinary citizen is concerned, he has to suffer the consequences; and he knows no separate departments or branches of administration, but he lays the blame at the doors of the government. The Audit and Accounts Officers as well as Parliamentary Committees of the Legislatures have to function bearing this aspect in mind. Enforcing adherence to rules, though essential is sometimes likely to be oppressive, if stress is laid on mere adherence to the letter of the rules. There has to be a liberal and human approach and the rules will have to be observed. But their interpretation and enforcement has to be on the basis of service to the common man. The interpretation has to follow the spirit of the rules and not necessarily the letter."

Since Independence successive Auditors General have emphasised the complementary roles of administration and the common purpose of both. Commenting on the views of Shri V. Narahari Rao, the first Indian Auditor General after Independence, this is what His Highness Maharaja Sir Jaya Chamaraja Wadiyar Bahadur, Maharaja of Mysore said in June 1953:

"It is obvious that the Comptroller and Auditor General is appreciative of the fact that his Department is not there to stand aloof and merely criticise the administration but that it is necessary in the best interests of the State and its people that the Audit Department and the Government and its machinery should work with a common purpose. Indeed, he has stated that effective financial control and wise spending depend in the final analysis as much upon the efficiency, knowledgeability and integrity of the administration itself as on the efficiency of audit control. I am in complete agreement with the opinion expressed by him in this respect. Just as in the administration of law and order, the fear of the

Policeman does not make the people really moral, so also the fear of the Audit Department may be useful but something more than this is necessary for good Government. Let us not, however, stretch the analogy of the Policeman too far in its application to the case of the Auditor General. The latter's functions are multifarious, far wider and more comprehensive than those of a Policeman."

Speaking on the same point the next Comptroller and Auditor General, Shri A. K. Chanda said in January 1955:

"In all well recognized democracies, audit is not just tolerated as a necessary evil, but is looked upon as a valued ally which brings to notice, procedural and technical irregularities and lapses on the part of individuals, whether they be errors of judgment, negligence, or acts and intents of dishonesty. The complementary roles of audit and administration are accepted as axiomatic, being essential for toning up the machinery of Government. Unfortunately, in India, this conception of complementary relationship has yet to be evolved. Audit continues to be considered as something alien, something extraneous and something of the nature of an impediment. A natural resistance has, thus, come to be developed in the administrative system to the absorption of the suggestions of Audit. With the advent of Independence and the acceptance of the conception of a Welfare State, there should, on the other hand, develop a commonness of purpose, of endeavour and of achievement. In the ultimate analysis, Audit and Administration are the components of the machinery of Government. It is only when these components are properly synchronised in operation that optimum results can be obtained. The need for a reorientation of the attitude and a readjustment of the relations between Audit and Administration, has thus assumed paramount importance. Audit is not an inquisition and its mission is not one of fault-finding. Its purpose is to bring to the notice of the Administration, lacunae in the rules and regulations, irregularities and lapses, and to suggest, wherever possible, ways and means for the execution of plans and projects, with greater expedition, efficiency and economy. It is only to be expected that an efficient administration would immediately take due note of these observations and suggestions and set about toning up its performance."

His successor, Shri A. K. Roy speaking in May 1962 developed the same approach in the following words:

"The functions that the Audit Department performs inevitably cast upon it the duty to review critically the financial transactions of the Government. This role of a critic is very often misunderstood. The review

that the department makes and criticisms that it offers are not made in a carping spirit to show up the executive departments; their purpose has always been to help the departments to regulate their financial activities in such a way as to conform broadly to the principles of financial propriety. It has always been their endeavour to understand the departments' point of view and to suggest, wherever necessary, ways and means of overcoming their difficulties in regard to their financial transactions. The aim of audit scrutiny is to see that the departments keep to the path of financial rectitude, that the resources of the State are efficiently utilised with due regard to the consideration of economy so as to realise the objectives of the State expeditiously. The aim of any clean and efficient administration must necessarily be the same and as such it should welcome audit and give due consideration to its suggestions. The roles of Audit and Administration are really complementary to each other; they are never intended to act in opposition to one another. The purpose of both is the same, namely, to obtain the optimum results by the outlay of limited resources in carrying out our plans and programmes."

The views expressed in December 1961 by Dr. B. C. Roy, one of the most illustrious Chief Ministers in India, on the same subject, coming from an Administrator, add support to this approach. He said:

"I have felt that often when discussions take place regarding the accounts in the Public Accounts Committee there seems to be a sort of rivalry as it were between the Audit Department and the spending department as if one is always trying to catch the other and the other is trying to escape. That should not be the approach. I think the approach should be that both the departments should be aiming at the same purpose, namely, to avoid wasteful expenditure, to see if there is any misappropriation, and if there is any loss, to catch the person at fault and give him such punishment as he deserves, to try and recover any dues or damages and to see that in future money is not wasted."

(B) Relationship with Administration at Different Levels

(1) *With the Treasury Officer*

The Treasury Officer is under the administrative control of the Collector but in all matters relating to accounts and audit has to carry out implicitly the instructions of the Accountant General. A Treasury Officer's authority to make payments on demands presented at the Treasury is strictly limited to the making of payments authorised by or under the Treasury Rules. No

demand not so covered can be paid without a special authority from the Accountant General or an express order to him by Government to make the payment even which in the absence of urgency should be sent through the Accountant General. Payments made by him as authorised by the Collector in relaxation of rules in cases of urgency should be reported at once to the Accountant General. A Treasury Officer cannot honour a claim which he considers to be disputable. He should require the claimant to refer it to the Accountant General. Various categories of payments that require prior authority from the Accountant General have been detailed in Chapter XVI. The Treasury Officer is responsible to the Accountant General for the acceptance of the validity of a claim against which he has permitted withdrawal, and for evidence that the payee has actually received the sum withdrawn. The Treasury Officer is responsible to send to the Accountant General punctually on due dates the prescribed accounts and returns with complete schedules and vouchers. He should make deductions on account of sums disallowed from pay bills strictly in accordance with the instructions of the Accountant General. He may make the recovery of a sum disallowed from a pay bill from the next pay bill, and of a sum disallowed from travelling allowances from the next travelling allowance bill, but he must recover sums disallowed from travelling allowance bills in cash or from the pay bill when the Government Officer concerned does not, within a month, present any travelling allowance bill from which they can be recovered. The Treasury Officer should send to the Accountant General for special audit the bills for pay and allowances or leave salary of a Gazetted Officer who is about to retire as soon as the intention of the officer to retire becomes known to the Treasury Officer. A Treasury Officer is prohibited from undertaking correspondence for a Government employee or private individual making a claim to any special allowance or concession and should request the person concerned to address the Accountant General either direct or through his own official superior, as the case may be.

(2) *With the Collector*

The Collector is in general charge of the Treasury and is responsible to Government for its general administration and working and the fact that the Treasury Officer is in immediate charge of it does not relieve him from this responsibility. This responsibility extends to the correctness of prescribed accounts and returns and the punctuality of their submission and to the implicit obedience by the Treasury Officer to the instructions issued by the Accountant General. The Collector may, in circumstances of urgency, by an order

in writing, authorise and require a Treasury Officer to make a payment, except of pension, without complying with the provisions of the Treasury Rules. In such a case he is required to forward a copy of his order and a statement of the circumstances requiring it to the Accountant General. The Collector is required to send immediate notice to the Accountant General of any defalcation or loss of public money, stamps or opium or other property discovered in the Treasury or any Sub-Treasury, even when the loss has been made good by the person responsible for it. Petty cases involving losses not exceeding Rs. 200 each need not, however, be reported to the Accountant General unless there are in any case important features which merit detailed investigation and consideration. Whenever an irregularity of any kind is brought to the Collector's notice by the Accountant General, the Collector is required to personally investigate and report on his own knowledge. The Collector when at Headquarters must verify the District Treasury balance in person on the first of each month and sign the Account to be rendered to the Accountant General. Whenever a Collector assumes or makes over charge, he is required to report to the Accountant General in his certificate of transfer of charge the state of cash, stamps and opium balances in the Treasury. While the Accountant General may direct his communications regarding Treasury Accounts and procedure either to the Collector or the Treasury Officer, all important communications to the Accountant General must issue under the signature of the Collector or with his approval. When the Collector directs the cash chest of any Government Department to be lodged in the Treasury for safe custody, the fact has to be reported for information of the Accountant General, who can report to the Local Administration any case in which the permission appears to have been improperly granted by the Collector.

(3) *With Drawing and Disbursing Officers*

The term disbursing officer denotes a Head of Office and also any Gazetted Officer designated by a Department of Government, a Head of Department or an Administrator, to draw bills and make payments on behalf of Government. A Government Officer supplied with funds for expenditure is responsible for such funds until an account of them has been rendered to the satisfaction of the Accountant General or of the Audit Officer concerned. He should attend promptly to any objections and orders communicated to him by the Accountant General. When an Accountant General disallows a payment as unauthorised, the disbursing officer is bound not only to recover the amount disallowed without listening to any objection or protest but to

refuse to pay it in future till the Accountant General authorises the payment to be resumed; that no warning slip has been received by the Government employee against whom the retrenchment has been ordered by the Accountant General or that being received, it has been answered, are facts with which the disbursing officer should have no concern. A disbursing officer must not when a retrenchment is ordered by the Accountant General enter into any correspondence with either the Accountant General or the Government employee concerned. It is his duty simply and promptly to carry out the orders he has received and to leave the person aggrieved to represent the case to the proper authority.

It is a general responsibility of all departmental officers who are responsible for the collection of Government dues or expenditure of Government money to maintain proper accounts thereof in prescribed form and to render accurately and promptly all such accounts and returns relating to them as may be required by the Accountant General.

(4) *With Controlling Officers*

The term controlling officer denotes an officer entrusted by a Department of Government with the responsibility of controlling the incurring of expenditure and/or collecting of revenue and includes Heads of Departments and Administrators.

Certain classes of expenditure require the countersignature of the claims for them before or after payment by a controlling officer. Thus in respect of claims for travelling allowance except when an officer has been declared his own controlling officer, they are required to be countersigned by a controlling officer. The idea underlying the concept of a controlling officer for this purpose is to make some authority responsible for scrutinising the claim in all its aspects. The controlling officer is fully responsible to see that the facts on which the claim is based are correct, that the journeys, halts, etc., were necessary, and that the claim is admissible with reference to the rules. On this basis the Audit officer normally confines his audit to rates and general conditions though occasionally he may test check the extent to which the controlling officer has discharged his responsibility.

In respect of contingent expenses incurred for the management of an office as an office or for the technical working of a department other than items falling under "works", "stock" and "tools and plant", some items are classified as "countersigned contingencies". In some cases the countersignature is required before payment. In others the claim can be drawn on abstracts bills in respect of which Detailed Countersigned

bills through controlling officer are sent later to the Accountant General with sub vouchers above Rs. 200 (a higher amount than in respect of other contingent expenditure), his signature to the certificate endorsed on the bill taking the place of the smaller sub-vouchers. Any dis-allowance by the controlling officer is noted on the bill sent to the Accountant General.

The duties of Heads of Departments *vis-a-vis* the Accountant General in the preparation of the Budget have been dealt with in Chapter XVI.

Heads of Departments and the Accountant General are jointly responsible for the reconciliation of the figures given in the account maintained by the Head of the Department with those that appear in the Accountant General's books. The Accountant General is responsible to communicate to controlling officers all transfer entries and expenditure debited to the grant by him through accounts current or on account of payments arranged by him direct. When expenditure is proceeding fast or excesses over Appropriation appear to be likely, Accountant General issue warning to the disbursing officers and if necessary to controlling authorities but it is, thereafter, left to them to take any necessary action and such warnings are not followed up in a formal or routine manner.

(5) *With Administrative Ministries/Departments of Government*

Since 1958, there have been large delegations of powers at the Centre to the administrative departments in recognition of the fact that the ultimate responsibility for the proper and efficient running of their departments with due regard to economy rests on them. There has been a similar trend in the States also. The Audit and Accounts Department is entitled to receive a copy of an order sanctioning expenditure, or a sanction which is otherwise to be enforced in audit, from the competent sanctioning authority. In the case of the Centre, all financial sanctions and orders issued by a Ministry or Department of Government within its own powers of sanction are communicated to Audit with an indication that the concurrence of the Internal Financial Adviser has been obtained. All other sanctions issued by the Ministries/Departments with the concurrence of the Ministry of Finance are communicated to audit with an indication that the concurrence of the Ministry of Finance has been obtained. Important cases of financial irregularity which it is proposed to include in the Audit Report are generally as a matter of precaution brought to the notice of the Department of Government concerned first with a view to giving it an opportunity of making such observations and comments as it may think fit. Drafts of all

matters in which it is proposed to question the action of the Department are also generally sent to it before final inclusion in the Report, with a time limit within which modifications or corrections should be suggested. In respect of questions raised on grounds of propriety discussions between the administrative department and the Accountant General usually take place before any audit paragraph is drafted.

With the decentralisation of financial advice to administrative ministries since the 20th August, 1958 the following procedure came into force:

> "All cases in which the advice tendered by the Financial Adviser of the Ministry is not accepted should be referred to the Secretary of the Ministry for his orders and if the Secretary also differs from the advice, the case should be brought to the notice of the Minister. A monthly statement of cases, if any, where the Financial Adviser's views have not been accepted, giving a summary of the differences and the final decision should be forwarded by the Secretary of the Ministry to the Ministry of Finance for information, a copy being endorsed to the Comptroller and Auditor General simultaneously."

(6) *With the Finance Ministry/Department*

While most of what has been stated regarding relations with the Administrative Ministry/Department applies to the Finance Ministry/Department which has also both revenue and spending departments directly under it, the fact that the Finance Ministry/Department has a special responsibility in regard to the administration of public finance makes for a closer relationship with Audit and Finance has its best ally in the Audit Department in the discharge of this responsibility. The theory is that the undelegated financial powers of Government vest in the Finance Ministry/Department and as the Financial Regulations which are enforced in audit are also made by it, to that extent audit is done on its behalf. Audit has, therefore, sometimes been said to be the "eyes and ears" of the Finance Ministry/Department. When Audit does not get a satisfactory settlement with an administrative department in cases of disregard of rules or orders or failure of any authority to maintain suitable accounts, it is entitled to seek the support of the Finance Ministry/Department. The reports of the Comptroller and Auditor General relating to the accounts of the Union and States required to be submitted under Art. 151 of the Constitution to the President/Governor are sent to the Finance Ministry/Department which should arrange to lay them on the Table of House.

In 1873, the Government of India, Finance Department observed[2] that applications for sanctions to expenditure were sometimes made to Accountants General and the Comptroller General and forwarded by those officers to Government. This procedure was wrong in principle and often inconvenient in its results. Whenever such an application or an application for relaxation of leave or pension rules and the like reached an officer of the Audit Department, he should simply return it, referring the officer making it to the proper executive authority. This procedure is still in operation.

(C) Relation with Parliament

In the United Kingdom the Comptroller and Auditor General is regarded as an officer of Parliament, one of the consequences of which is a question in Parliament is not the proper method for eliciting information from him. In India the Comptroller and Auditor General is an officer of the Constitution. The position in respect of discussion in Parliament of his conduct in the discharge of his duties has been already dealt with in Chapter II.

The Constitution empowers the Parliament to determine by law the salary and other conditions of service of the Comptroller and Auditor General (Art. 148(3)) but neither his salary nor his rights in respect of leave of absence, pension or age of retirement can be varied to his disadvantage after his appointment. The duties the Comptroller and Auditor General shall perform and the powers he may exercise in relation to the accounts of the Union and States and of any other authority or body are to be prescribed by or under any law made by Parliament. He cannot be removed from his office except by an Order of the President passed after an address by each House of Parliament supported by a majority of not less than two thirds of the members of that House present and voting has been presented to the President in the same session for such removal on the ground of proved misbehaviour or incapacity (Art. 148(1)). The reports of the Comptroller and Auditor General relating to the accounts of the Union are laid by the President before each House of Parliament.

The relationship between the Comptroller and Auditor General and State Legislatures and the Union Parliament has this in common that it is through his reports relating to the accounts of the States and the Union that the Legislatures/Parliament satisfy themselves that the moneys granted by them have been spent by the Executive within the scope of the demand, with "wisdom, faithfulness and economy", that the moneys were legally available for and

[2] Government of India, Finance Department letter to all Accountants General and Comptroller General No. 2052, dated the 7th August, 1873.

applicable to the service or purpose to which they have been applied or charged, that the expenditure conforms to the authority which governs it, that every reappropriation has been made in accordance with the provisions in this behalf in the Appropriation Act, that Government commercial undertakings are run on proper lines and that the accounts of receipts and stores and stock where entrusted for audit to the Comptroller and Auditor General reveal no serious irregularity.

(D) Relation with Committees of Parliament

There are now three financial committees of Parliament, the Public Accounts Committee, the Estimates Committee and the Committee on Public Undertakings. Parliamentary control over Finance is in two stages, *viz.*, the stage of proposals and the stage of results. The Comptroller and Auditor General and the Public Accounts Committee come at the stage of results. The Estimates Committee comes in at the stage of proposals. The Comptroller and Auditor General has no connection with it.

As regards the Committee on Public Undertakings, it has taken over the functions of both the Estimates Committee and the Public Accounts Committee in regard to Public Undertakings. In the latter capacity the relationship of the Comptroller and Auditor General with it is practically the same as in the case of the Public Accounts Committee but for the facts that certain nationalised undertakings, though under the jurisdiction of the Committee are not within the audit purview of the Comptroller and Auditor General and the Bureau of Public Enterprises will be submitting independently an annual report to Parliament on the working of Central Government undertakings.

The relationship between the Comptroller and Auditor General in the United Kingdom and the Public Accounts Committee has been picturesquely described by a western author, most of which will apply in India also. The Comptroller and Auditor General has been called "the probing spear head" of the Public Accounts Committee, "its acting hand", "its guide, philosopher and friend", the "official blood hound" in the Committee's service. "The Committee takes the Treasury in one hand and the Auditor General in the other, and goes a hunting in the expenditure for the year under review as certified in the Appropriation Accounts. The Auditor General beats the bush and starts the hare; the Committee runs it down and the Treasury breaks it up."

In India, at the Centre, the Comptroller and Auditor General prepares a detailed memoranda on the important points mentioned in the Audit Report and sends it to the Committee for circulation to the Chairman and

the other members, about a fortnight before it is due to meet for their consideration. A day or two before the Committee meets to examine the witnesses, an informal meeting of the Committee is held in which the representatives of the Comptroller and Auditor General explain further questions as members may wish to raise. At the time of the examination of witnesses the Comptroller and Auditor General and/or his representatives are present to assist the Committee in examining the witnesses. While in the United Kingdom the Comptroller and Auditor General sits at the other end of the table opposite to the Treasury officials and intervenes in the discussion only when asked by the Chairman for any clarification, in India the Comptroller and Auditor General sits on the right side of the Chairman. His officers sit with or behind him to assist him with papers and information. Consultations go on continuously between him and the Chairman as the evidence proceeds. It is not unusual for the Auditor General to ask questions from the departmental witnesses and make observations during the evidence. The draft reports of the Committee prepared by its Secretariat under the directions of the Chairman, are sent informally to the Comptroller and Auditor General for checking up of facts and comments. When the report is considered by the Committee, the Comptroller and Auditor General is present to assist the Committee. His presence is recorded in the proceedings of the Committee. To the thorough and efficient manner in which he discharges his responsibilities, the Committee is indebted for a large measure of its own usefulness. In turn the Comptroller and Auditor General has to rely for the effectiveness of his criticism on the Committee's support. This mutual dependence makes their relationship very close indeed and ensures that audit criticism will be free and impartial but never irresponsible. Even before Independence, Sir Guy Fleetwood Wilson, writing his famous minute of dissent in 1913 in which he advocated the independence of the Auditor General from the Executive Government, said "An unreasonable audit would immediately reveal itself as such in the reports and the Secretary of State, as responsible finally not only for the expenditure but for the whole administration of India, would be the first to take exception to his Chief Auditor assuming the attitude of mere obstruction." The Reports being now to the Indian Parliament/Legislatures and the various Public Accounts Committees, no Auditor General would ever risk his criticism being belittled or ignored or set aside by them while the support he can always expect from them for all reasonable criticism should enable him to do his duty without fear of the executive. Reference has been made earlier when dealing with "New Service" that when a difference of opinion has arisen between Finance, the Administrative Ministries and the Auditor General in this respect, it is decided by the Committee.

CHAPTER XVIII

SEPARATION OF AUDIT AND ACCOUNTS

Present Position

Notwithstanding the fact that in India, Defence Accounts has always been separate from Defence Audit, that similarly in regard to Indian Accounts in England, Accounts and Audit have been separate right from 1858, and Railway Accounts and Audit have been now separate for wellnigh four decades, the separation of Accounts and Audit in the Civil Departments as a whole has still been a difficult and perplexing subject, and progress so far made in this direction has been confined to a few departments of the Central Government, to payments at certain State Capitals and to big projects, all of which presented the least amount of difficulty in practical implementation of the separation scheme. There has otherwise been a virtual halt due not only to the extra financial burden involved and the manpower problem, but also to practical difficulties which are explained later, for which a solution has yet to be found.

Historical Background

Reference has been made in Chapter III to arrangements introduced in 1860 under which all claims were subjected to pre-audit by the Pay Masters of the respective Local Governments before payment at the District Treasury and subsequent post-audit by the Deputy Auditor and Accountant General. These arrangements ended in 1865 when pre-audit was abolished on the recommendations of the British Commissioner of Enquiry and the Offices of Civil Pay Master and Deputy Auditor and Accountant General were amalgamated. One of the concomitants of separation of Accounts and Audit is pre-check of all claims before payment combined with check against grants and appropriations. The reasons for abolition of pre-audit as given by the Commissioners would, therefore, be of interest. They devoted 35 paragraphs (154-188) in their report to "objections to system of pre-audit". They questioned the use of pre-audit for salaries and fixed charges. Pre-audit by an authority distant from the Treasury and the drawing officer involved delay in payment, and diluted the responsibility of the departmental officer. They were for trusting the Departmental officer, who was confined

within strict and narrow bounds by the Budget as regards expenditure, and placing full responsibility on him. The orders passed by Government on the Report of the Commissioners defined the responsibilities of the drawing officers, countersigning and controlling officers and Treasury Officers in regard to payments and by and large the position in this regard as defined then still holds good.

The question of separating Audit from Accounts was broached on several occasions before the first experiment started on the 1st April, 1924. They have been dealt with in some detail in Chapter II. Reference has been made therein to a proposal of the Government of India in 1881, for the appointment of a separate Auditor General for India distinct from the Comptroller General with no executive or administrative function whatsoever. The Secretary of State, however, considered that the Comptroller General's position in the service was so high as to render him a thoroughly independent officer, who could be expected to do his audit duties conscientiously and fearlessly. The only results were that some relief from executive work performed in respect of "India" Treasuries, grant of powers to undertake a test-audit in any of the officers of Account under the Government of India and a change in designation from Comptroller General to Comptroller and Auditor General.

When next the Secretary of State raised the question in 1888 for an Independent Auditor in India as in the United Kingdom, the Government of India opposed it this time and considered that in the essential point in which independence in an auditor, that is to say, independence of the executive disbursing authorities was required, the Comptroller and Auditor General of India was as independent as the Comptroller and Auditor General in England.

When the Welby Commision again raised the point in 1900, the Secretary of State influenced by the cost factor did not pursue the proposal for an Audit entirely independent of the Indian Executive.

Even in 1914, when the status and salary of the Comptroller and Auditor General was raised, it was not considered that there was, anything inappropriate in his being, as an Audit officer, an independent authority and as an officer of Account remaining an officer of the Government of India.

On all these occasions the appropriateness of the same authority maintaining accounts and auditing them or the advantages that would accrue from separation for better financial control against grants and appropriations were not in focus and the point at issue revolved more on the personal status or independence of the Comptroller and Auditor General as an Audit officer.

In 1920, the Government of India in its Despatch No. 390 dated the 19th

August, 1920 specifically told the Secretary of State while forwarding the draft rules under Section 96D(1) of the Government of India Act, 1919 that there was nothing inconsistent in this combination of Audit and Accounts duties. This is what they said :

"The first element in the rules to which we would invite particular attention is the fact that we have assigned to the Auditor General duties in connection not only with audit, but also with accounts. . . . A certain amount of supervision over the compilation of accounts is of course an essential part of the Auditor General's functions. We have, however, provided in the rules that the Auditor General shall perform, in relation to the Finance and Revenue Accounts the same functions as are at present exercised by our Comptroller and Auditor General. We consider it to be essential that there should be some officer in India who will be responsible to the Secretary of State in Council for the proper compilation and due submission of these accounts, and we are advised that it is not inconsistent with the provisions of the Act to entrust this work to the Auditor General in addition to his duties in connection with audit proper."

The Inchcape Committee on Retrenchment (1922-23) in its Report advocated the separation of audit from accounts, though their advocacy of separation was inspired by the desire for economy in Central expenditure. That Committee seems to have considered that separation of Audit from Accounts would enable the Central Government either to relieve itself of certain of the expenditure which it was undertaking in connection with the maintenance of accounts or, at least, to prevent Provincial Governments from imposing upon it a varying and additional amount of outlay in future by calling upon the Audit Department to maintain its accounts in greater and greater detail to suit the conveniences of the Provincial Governments.

An extract of paragraph 5 of the Report is given below :

"The Auditor General informed us that an attempt had previously been made to separate audit and accounts, but that the experiment broke down as a result of the present system under which payments are audited before they are brought to account. In our opinion, in view of the constitutional difficulties arising under the Reforms Scheme from the fact that a Provincial Government can require the audit and accounts department to maintain an account for which the Central Government pays, it is desirable to reopen the question of the separation of the Audit and Accounts. The Auditor General informed us that if such separation were recommended, it would be necessary to abandon the existing system of audit before account, but that he would acquiesce in this."

The Experiments

In pursuance of the Committee's suggestion the Government of India appointed an officer of the Indian Civil Service on special duty under the Finance Department with two Assistants from the Indian Audit and Accounts Service to investigate the whole question.

At a conference of Finance Members held at Delhi in November 1923 the desirability of separation of Audit and Accounts was accepted in principle and it was decided that a scheme that had been worked out in outline by the Government of the United Provinces should be examined by the Officer of the Government of India on Special Duty for this purpose.

The United Provinces Government then drew up a preliminary scheme of separation in the Police and the Education departments under the guidance of the Officer on Speical Duty in the Central Finance Department and it was introduced on the 1st April, 1924, as an experimental measure. Reports regarding the experiment were favourable and the Government of the United Province submitted proposals in September 1924 for a complete scheme for separation of Accounts and Audit in that Province.

While the Government of India was considering the proposals of the Government of the United Provinces, a committee appointed in 1924 called the "Reforms Enquiry Committee" under the chairmanship of Sir Alexander Muddiman "to enquire into the difficulties arising from, or defects inherent in the working of the Government of India Act, 1919", expressed the view that no sort of advance would be possible until the local Governments had accepted the responsibility for the custody of their own balances and the administration of their own resources. In item 43 of the summary of its recommendations, it stated its conclusion that if the experiments then in progress showed that the separation of Accounts from Audit was feasible and if it was also found possible to separate Provincial from Central balances, action should be taken in both these directions.

The Government of India considered that separation of Accounts from Audit should precede separation of balances. The Government of India observed, "we cannot entrust to local Governments the control of their own finances until it is certain that it is possible to evolve a scheme under which they will maintain their own accounts and take upon themselves the multifarious duties of a domestic nature which are now performed for them by subordinates of the Auditor General." "Autonomy would be rudimentary indeed," the Government of India said, "so long as the local Governments exercised no sort of control over the agency which carried out these functions on their behalf." There were other reasons as well for which the Government

of India supported the scheme and submitted it to the Secretary of State for approval in November 1925.

The special duty staff had by this time instituted a number of experiments outside the United Provinces. One was in connection with the New Capital at New Delhi (later the Central Public Works Department). Another pertained to Miscellaneous Central Departments at Calcutta and a third also at Calcutta to the Customs Department. Two other experiments pertained to Bangalore Residency and the Delhi Civil Administration.

Advantages of Separation

The Government of India claimed several advantages for separation. The combined office afforded insufficient opportunity to the Heads of Departments for controlling expenditure because they were not kept in sufficiently close touch with the progress of expenditure to assume full responsibility for control. The United Provinces Government considered that the best method of securing this touch was to require the Heads of Departments to compile their own accounts in the form in which they would ultimately appear in the Finance and Revenue Accounts and failing this, to have the accounts compiled under their eye. The Government of India recognised that separation was not the only way of effecting the object in view. Even a combined Audit and Accounts could work under the roof of the Heads of Department as a subordinate of the Auditor General compiling the accounts and offering the Heads of Departments financial advice as the Audit Officer, Indian Stores Department, was doing to the Chief Controller of Stores. The Government of India, however, attached more importance to the consideration that separation would improve audit.

As regards the system under which the departments had to keep pro forma accounts of their expenditure for expenditure control purposes the Government of India feared that the system of duplicate accounts was likely to break down owing to the difficulty of reconciling departmental figures with those of the Accountant General. In any case that system in the Government of India's view suffered from the defect that duplication of accounts unlike the duplication of audit was a most uneconomical object of expenditure.

The separation would result, the Government of India said, in more effective audit because compilation of accounts always hampered audit. Compilation had to be carried out by fixed dates each month. If for any reason the compilation process was not complete, the failure was obvious to everybody. If on the other hand, audit was improperly carried out by the auditor, the

lapse was not apparent automatically in the same fashion. Only a superior officer reviewing the work of audit would be able to detect this failure. With the pressure of work on the officers themselves, the detection might not be possible always.

Whenever an Accountant General was confronted with an unusual spate of work, as for instance, in pre-auditing bills or issuing pay authorities at the close of the financial year, his audit work suffered and fell into arrears. The same audit arrears also occurred when government expenditure levels rose, because demands for staff in audit offices were always made on the basis of past statistics.

The arrears of audit may sometimes be written off, or the quantum of audit relaxed. In any case their clearance in haste without proper checks impaired audit.

Higher audit functions, it was claimed, were impaired under the combined system. In the combined audit and accounts offices the compilation of accounts as well as the detailed checks over arithmetical accuracy, regularity of expenditure, and the like, had to be applied by the auditing staff. Amid this super-abundance of details and where the auditors were unduly burdened with too much routine work the principles of higher audit were apt to be lost. They must fail to perform their higher audit functions with the same keenness. The presence of a higher audit cell in the Accountant General's office did not destroy this argument since the cell conducted no original audit but only took up points referred to it by the audit sections.

Separation would lead to a scrutiny of the financial procedures of a department and its internal check system, rather than to a plain voucher audit. Besides the Auditor General would also be saved the time and energy attendant to running an enormous department scattered all over India and would be able then to devote more time to improving the efficiency of audit.

The combined system resulted in undue interference with the Accountant General's discharge of his duties. Many references were made by the Finance and other Departments of the Government to the Accountant General. Much of the time of the Accountant General was consumed in answering those references. Though all Accountants General gladly replied the queries, the giving of such advice was outside the scope of the Accountant General's legitimate duties. His work and that of his office inevitably suffered under such a set up. Separation would help in confining the attention of the Accountant General to audit matters only and free his time and energy for a deeper audit probe.

Finally, the despatch stated, audit should not be associated with compilation, or classification of accounts as it was under the existing system. Audit

was in theory a critic of the completed work of others. The person performing it should be as detached and independent as was possible. If, as happened in a combined office, he descended from his pedestal of independence either by giving financial advice to the executive, by compiling or classifying accounts, by pre-auditing bills for payment, or by issuing pay authorities, his independence as a critic suffered and the value of his work lost its worth and authority to the degree to which he lost independence. The auditor could be confined to being a critic, and only a critic of the completed work of others, by separating accounts from audit.

The Secretary of State gave his concurrence, which came two and a half months later by cable on February 2, 1926. The experiment itself in the whole of the United Provinces was launched from the beginning of the new financial year on the 1st April.

Organisation of the Separated Offices

The organisation consisted of a Chief Accounts Office and several subsidiary Pay and Accounts offices. The Accounts offices which dealt with the provincial transactions were under the Provincial Finance Department, and those dealing with the Central transactions under the Central Finance Department. The Director of Audit, United Provinces, carried out a test-audit of the work in the accounting offices.

The existing Accountant General's office in the United Provinces, which was under the Central Government, was dismantled and its place taken, on the accounting side, by the following provincial offices :

(1) A Chief Accounting Office at Allahabad.
(2) Three Pay and Accounts Offices at Allahabad to deal with Land Revenue, General Administration, Law and Justice, Stamps, Industries, and other departments located at Allahabad.
(3) Three Pay and Accounts Offices at Lucknow to deal with the accounts of the Public Works, Agriculture, Veterinary, Medical, Jails and Public Health departments located at Lucknow.

The accounts establishment thus consisted of a number of Pay and Accounts offices, each of which served a single major department or a group of minor departments. They were placed at Allahabad or Lucknow, according to the location of the headquarters of the departments they were connected with.

The Pay and Accounts offices were responsible for the compilation of the accounts and payments pertaining to their departments. The Chief Accounting Office compiled the monthly accounts and administered certain functions which could not be conveniently taken up at the Lucknow and

Allahabad offices. It co-ordinated the work of the departmental accounts offices, verified and reported on pension claims, and handled transactions relating to debt, remittance, and the settlement of account between the United Provinces and a Provincial or Central Government.

The Central transactions handled previously by the Accountant General were dealt with by a Central Pay and Accounts Office located in the United Provinces but directly under the Finance Department of the Government of India.

Centralised payments by cheques were made in most cases. Central payments facilitate expenditure control by enabling the accounts to be consolidated almost as soon as the payments are made so that the departmental officer can watch the progress of expenditure against his grant very easily. However, a fairly large sector of public expenditure was excluded from the central payment system in the United Provinces. Pay of the officers and establishments, and expenditure from contract contingent grants, were encashed, as before in Treasuries, by means of bills which the departmental officers did not clear beforehand from the departmental accounting office but forwarded directly to the Treasuries for payment. Both types of bills, whether encashed directly at the Treasury, or paid by cheques prepared at the Accounts offices, were subject to a concurrent test-audit on behalf of the Auditor General.

The Director of Audit, who had a status corresponding to an Accountant General, carried out the statutory audit on bahalf of the Auditor General. Apart from his headquarters office, he had small audit parties, consisting each of a few clerks and a superintendent from the Subordinate Accounts service, located in every departmental Accounts office to carry out a concurrent audit. A permanent audit staff was placed in the Chief Accounts Office. Every two or three such groups were supervised by a gazetted officer. Three inspection parties, each consisting of a gazetted officer, two or three members of the Subordinate Accounts Service and a few clerks carried out an inspection at the site of expenditure comparable to the work of the Outside Audit branch of an Accountant General's office. They scrutinised service books, leave accounts, acquittance rolls, contingent registers and the like, which are not sent for central audit but on which the accounts are based.

The experiment was extended in 1927 to the Central Government Secretariat and attached offices, and to the North West Frontier Province in 1929.

The accounting offices attached to each department could be placed under the Finance Department or under the departmental chief as in the United Kingdom. In India the English practice was not followed for two reasons. Firstly, separate accounting offices for each department, however small,

would result in a large number of accounting offices being formed. Under the Finance Department the minor accounts offices could be amalgamated into a single office and expenditure saved on the supervisory staff. The Pay and Accounts Offices for Miscellaneous Central Governments at Calcutta covered the accounts of fifty-one offices and departments, and had a staff of only thirty-five persons. Secondly, the diarchy would make it difficult to provide for funds for Accounts offices, if they were placed under the corresponding administrative departments. For transferred subjects the provision for funds of the Accounts offices would be under the grant for the administrative department and so subject to reduction by the provincial assembly. But the Devolution Rules made Finance a reserved subject. If the legislature cut a grant relating to an accounting office belonging to a transferred department, the Finance Department could complain that it did not have sufficient funds for discharging its duties. The situation could only be remedied by the Governor using his emergency powers and the invariable result would be needless friction between the Governor and his ministers. The relationship arrived at between the Finance and Accounting departments was only of a temporary nature which in the fullness of time at an advanced stage of political development would be modelled on the English pattern. Before that time could come, the separation itself was scrapped.

The staff of the Accounting offices was obtained on loan from the Auditor General but was to be absorbed in the provincial cadre if the experiment was made a permanent measure. Recruitment, promotion, and, where necessary, punishment, would be made by the Provincial Finance Department.

The departmental heads had the power of giving orders to their ccounting officers who, if a difference of opinion on any accounting matter arose, could demand the written orders of the departmental head which they were obligated to comply with. The written memoranda were at once brought to the notice of the audit staff. However, once a claim was preferred and the payment made by the accounting officer, the transaction became the responsibility of the accounting officer, except when he had been over ruled by the departmental chief in writing. If the transaction was held to be irregular by the Director of Audit in his post-audit, then the accounting officer would have to explain before the Committee on Public Accounts. Incorporation of the transactions in the accounts was also the responsibility of the accounting officer. Normally the departmental head could take it for granted that the accounts compiled were accurate. If an excess accrued subsequently as was possible because exchequer control had not been introduced, the head of the department would have to appear before the Public Accounts Committee since his accounts should have warned him sufficiently in advance to tighten

his expenditure control. Of course, there could be certain cases where the blame to be affixed, either to the departmental or to the Accounts officer, would not be clear but as it would become the practice for both the heads of the departmental and the Accounts offices to appear before the Public Accounts Committee, the resulting enquiry would fix the onus.

Cost of Separation

The separation proved costly and required an extra staff of about two hundred persons at an annual cost ranging from three to three and a half lakhs of rupees. The figure was arrived at by averaging out the time-scales of pay on the basis of a widely used formula.

Separation in U.P.

	Staff	*Expenses (Rs.)*
Accounts (separated)	577	8·70 lakhs
Audit (separated)	172	4·06 lakhs
Total, separated offices	749	12·76 lakhs
Combined offices	553	9·60 lakhs
Extra requirements	196	3·16 lakhs

Under the financial settlement provisionally arrived at between the Central Government and the Government of the United Provinces, the Government of India was to pay two lakhs of rupees over and above what it used to spend on the combined office of the Accountant General, United Provinces. The balance was to be borne by the provincial government.

The provincial government hoped to make certain savings as the Treasury work would be lightened. Checks so far exercised at the Treasuries would be carried out in the Pay and Accounts offices, and the Treasury Officer would only have to pay cheques presented to him after verifying the signature of the drawer. Less qualified people could be employed as Treasury officers and some of the lighter worked Treasuries, either abolished or reduced to the status of sub-Treasuries. They hoped that a lakh of rupees would be saved.

The savings never accrued while the experiment was on. The Deputy Collectors who functioned as Treasury Officers could not be replaced by lower paid staff from the Accounts department as very few of them were whole time Treasury Officers. They did magisterial, revenue, and other work also, which the Treasury Officer from the Accounts department would never

be able to do. The cadre of the Treasury Officers, who were Deputy Collectors, remained as big as before.

Lighter Treasury work was expected to save one clerk in each of the major Treasuries. Actually the saving was offset by the increase in work, as a large number of schedules had to be prepared for submission to the Pay and Accounts offices.

Balance Sheet of Separation

By the latter part of the decade doubts started as to how successfully the separation was working. In May 1928, Lord Irwin, the Viceroy, recommended to the Secretary of State that the separation as well as the division of cost between the Central and Provincial Governments should remain on a provisional basis until the Simon Commission's report.

The Simon Commission had the following observations to make in their report :

Paragraph 432 of the Report of the Simon Commission, Volume I.

"432. A peculiar feature of the Indian financial system imposes on him (Auditor General) a third function. The compilation of accounts and their audit are, except in provinces in which the Secretary of State in Council has declared otherwise, entrusted to the same agency, the Indian Audit Department. The Auditor General is, therefore, responsible not only for audit, but also for the preparation of the accounts he audits. He is, in fact, the officer who is statutorily responsible for the compilation of the accounts which the Secretary of State is required to lay before both Houses of Parliament every year. The explanation of this anomalous combination of duties (a relic of the highly centralised system of administration which obtained in India before 1920) lies in the transitional nature of India's constitutional and administrative arrangements. Audit and Accounts have already been separated in several departments of the Government of India and in the United Provinces, and the extension of this financial reform to other provinces, which was strongly recommended by the Muddiman Committee of 1924, has been hindered only by consideration of the cost involved."

Report of the Simon Commission, Volume II.

"Para 309. As regards the second head, the provincialising of accounts

should have the effect of strengthening the sense of financial responsibility and is in keeping with the tendency towards greater fiscal autonomy. This change has, hitherto, been deferred for reasons of economy for it would admittedly involve some additional expense which would fall on the provinces. The present situation, however, requires reconsideration, for the accounts of the provinces will increase and become more complicated as their functions develop. It is not reasonable that they should be in a position to place this indefinite and growing expense on the Central Government. There is, of course, no reason why a province which desires to do so should not contract with the Central Government as its agent to keep its accounts and supervise its accounting staff on its behalf, but if it does so, the province should be charged with the cost involved. If this charge is made, there is little doubt that the accounts of the provinces will ultimately be kept by a provincialised service under the control of the Provincial Governments.

"Para 312. At present accounts are kept and audited by the same staff. This is unsound in theory ; and whether accounts are provincialised or not, the auditing staff should be entirely separate. The Auditor General has been given under the constitution a very special status and it is highly desirable that the accounts of the Central, as well as the Provincial Governments should be audited by an officer holding an independent position."

The Simon Commission's acceptance of the principle of separation did not prevent questions being asked about its efficiency, specially after the economic depression starting from 1929.

Regarding the achievements of separation its prime advantage was to be the increased opportunity it gave to the departmental heads to control expenditure. For the financial years 1925-26 and 1926-27, the results were very good. The percentages of excesses and savings over estimates worked out for the former year at 4.34 and 8.41 respectively. This was the closest approach of the actual expenditure to the grants compared to any other province in India during that year. Next year even these figures had been improved. Excesses were only 1.06 per cent while the savings were 2.44 per cent. However, the percentages for 1927-28 and 1928-29 were no better than those for the other provinces.

As regards more effective audit probe, in 1929 the Officer on Special Duty claimed that the separated offices in the United Provinces had detected errors of allocation and classification made by the old combined Audit and Accounts offices. Nine lakhs of rupees had been misclassified by the old Accountant General's office as a charge on the Provincial Government when

it should have been borne by the Central Government. The detection was to the credit of the separated office but it did not save any money for the governments as a whole. The Officer on Special Duty suggested that the result showed an advancement in audit efficiency, which, however, the audit reports of the Director of Audit, United Provinces, did not support. The results were not outstanding compared to other Accountants General's offices. One who had been Director of Audit, United Provinces, said, "I do not think it can claim any laurels. It is certainly not any more efficient than in most other provinces."

An important benefit expected from separation was the financial advice which the Pay and Accounts Officer would render to the departmental chief. On the admission of the United Provinces Government itself, the advisory work had to be restricted to a minimum because the Pay and Accounting Officers were not sufficiently familiar with the departmental expenditure to render proper advice. Besides overburdening the pay offices with advisory work until they were running smoothly was not thought expedient.

However, since the Pay and Accounts offices were very near the departments "a notable increase" in the number of unrecorded consultation between the office superintendents of the departmental and accounts offices took place.

Something could be said about the intangible benefits of separation. The Officer on Special Duty claimed that the executive officers were very well satisfied and liked being served by the Pay and Accounts offices instead of old Accountant General's office. The separation resulted in improved relations between Audit and Government. The Pay and Accounts offices acted as a sort of cushion between the Administration and Audit, which had to deal with the departments indirectly through the Pay and Accounts offices.

Perhaps some slight improvement in higher audit did result. The Director of Audit in the United Provinces stated that he was able to devote more time to higher audit functions because of separation. He took greater pains to study the general financial policy of the Government, sinking fund arrangements, control of grants-in-aid to educational institutions, propriety of taking certain charges against revenue instead of capital expenditure, and the like. The comparatively smaller staff under him and the detachment from accounts work gave him the leisure for such work. He was unable to say what attention he would have devoted to similar questions if there had been no separation. His impression based on "the faith that is in me" was that the separation was desirable if it cost not more than one lakh rupees per annum extra.

Separation had shown certain disadvantages as well. From the very beginning the Auditor General had suspected that the placing of the accounting offices closer to the departments would result in a multiplication of the detailed heads and increased work in the accounting offices. The reports of the United Provinces Government bore this out. The opening of detailed heads was generally carried out at the request of the local Government but the latter was very careful in making such requests to an outside authority like the Accountant General. But when the accounting offices became part of the local Government, the departmental officers freely made requests for greater details in which accounts were to be kept.

Recoveries were also delayed, if an Accountant General considered an amount recoverable from an officer, he ordered the Treasury to retrench the amount from his next bill. With separation, Audit could no longer exercise this power as retrenchments could only be made by the Pay and Accounts offices. Many amounts which Audit considered clearly recoverable were delayed.

In a note dated the 25th May, 1931, recorded by the then Auditor General (Sir Ernest Burdon) a copy of which formed an enclosure to the Government of India's Despatch to the Secretary of State of the 16th July, 1931, he summed up the results of the experiments as follows :

> "Although I only became Auditor General in November 1929, I have in this interval of 18 months scrutinised and reviewed the Appropriation Accounts of two years of the 9 major provinces, in 8 of which there is the 'combined system' of audit and accounts and in one only (the United Provinces) the separated system. I have also visited each of the Provinces, have discussed provincial finance with all the provincial Finance Members and Secretaries, and have inspected the office of every Accountant General. On the basis of this experience, I can say confidently that the separation of accounts and audit has not left in the United Provinces any clear mark of improvement or greater efficiency, either as regards audit, or as regards accounts and financial administration in general. Actually on the Appropriation Accounts of 1929-30 the United Provinces financial administration compares unfavourably with that of most other provinces and this is in respect of matters (accuracy of estimating and control) in which separated accounts are supposed to have special value. I have commented to the above effect in my letter of this year to the United Provinces Government which will be placed before their Public Accounts Committee together with the Appropriation Accounts and Report for 1929-30. In the matter of audit, I am of opinion that experience has revealed certain defects in the separated system.

"In the circumstances I feel justified in saying that the public interest would not suffer any material disadvantage if the accounts and audit of public expenditure in the United Provinces were now in charge of a combined office. The economy to be secured by reverting to this is of course very considerable as Financial Secretary knows. I would not be so definite in advocating the change if there were any prospect of separation being adopted universally on grounds of abstract principle in the near future. I am assuming that universal separation is being put out of mind for a quite indefinite period, and, if this is so, it is purposeless to continue the experiment and the concomitant expense in the United Provinces if the experiment can be abandoned without great practical difficulty.

All that I have said about the separated system in the United Provinces does not apply precisely to the Central experimental offices, but I come to the same conclusion as regards these also, namely that financial administration would not suffer by extinguishing the separation of Accounts from Audit."

On the 16th July, 1931, Lord Willingdon's Government recommended to the Secretary of State the abandonment of separation. The United Provinces experiment, the Government said, had lasted long enough to demonstrate its merits and demerits. It had either to be abolished or extended to all the Provinces. In this connection the Government of India referred to the outcome of discussions on the constitutional and financial implications of separation at a Conference of representatives of Finance and Home Departments of the Provincial Governments in the following words:

"The unanimous opinión of these representatives was that no province could afford for some time to come the extra expenditure involved in introducing a system whose advantages were more theoretical than practical even if a cheaper method of securing them were devised than had obtained in the United Provinces and that meanwhile the Pronvinces desired no change in the older combined system which they found fully adequate to their needs."

The Secretary of State agreed to the proposal in August 1931 on the condition the Viceroy's announcement made it clear that economy, and not disapproval of the principle of separation, was the reason for abandoning the experiment. The Government of India's orders were worded accordingly. However, para 2 of the Auditor General's letter to all Accountants General communicating the decision about abandonment of the experiment read as under :

"I would make it further clear that while the principle of separation has

not been disapproved it is also not the case that the principle of separation in the case of Civil receipts and expenditure and on the model set up in the United Provinces has been positively approved as a result of the experiment."

The United Provinces offices were recombined from the 1st November, 1931, as also the Pay and Accounts Office and the Audit Office at Bangalore. Both the latter offices became subordinate to the Accountant General, Madras. From the 1st December, 1931, the Pay and Accounts Offices, Miscelaneous Central Departments, were merged in part with the offices of the Deputy Accountant General, Central Revenues, and for the rest with the Accountant General, Bengal. The separated offices at Delhi became a part of the office of the Accountant General, Central Revenues from the 1st January, 1932. Such then was the story of the first experiments in separation.

Separation in Railway Accounts and Audit

Reference has been made in Chapter III as to how separation was introduced in the Railways on an experimental basis from the 1st December, 1925, and was completed in 1929. As a consequence when the Auditor General's Rules made under the Government of India Act, 1919, were revised by the Secretary of State in Council on the 13th April, 1926, he included a new rule (rule 25) which was subsequently amplified in 1928 and read as follows:

"Rule 25. If in any case the Secretary of State in Council has declared that the maintenance of the provincial accounts of a specified province or of the accounts of any department of the Central Government is transferred to an authority (hereinafter referred to as the said authority) other than the Auditor General, the duties and powers of the Auditor General in relation to the accounts of such province or department shall be governed by the following provisions, namely :

(1) The officers and establishments employed upon the maintenance of such accounts shall not be subordinate to the Auditor General, but the Auditor General shall be responsible for the inclusion of the accounts in the Finance and Revenue Accounts of India and shall have power to prescribe the form in which and the time or times by which the accounts shall be submitted to him for audit and for inclusion.

(2) The appropriation accounts referred to in sub-rule (1) of Rule 15 shall be prepared by the said authority in such form as he may, with the concurrence of the Auditor General, determine, and

shall be transmitted by such date as the Auditor General may prescribe, to the officer of the Indian Audit Department to whom the Auditor General has entrusted the duty of reporting thereon. The Auditor General shall thereafter obtain and dispose of the appropriation accounts and of the report thereon of the aforesaid officer of the Indian Audit Department in accordance with the provisions of Rule 15 ;

(3) The Auditor General shall exercise the powers and perform the duties conferred and imposed upon him by Rule 20 and Rule 21, but shall not be bound by the provisions of Rule 23 or Rule 24."

The economic depression immediately thereafter which led to the abandonment of separation on the Civil side naturally raised the question of reversion to the combined system in the Railways also. In 1931, in a Memorandum to the Railway Retrenchment Committee, the then Auditor General, Sir Ernest Burdon, after stressing the need for the accounting organisation to be independent in its criticism of irregularities in the financial administration of the expenditure and revenue for the accounts of which it was responsible, pointed out that "in returning to the combined system of accounts and audit Government, from the point of view of maintaining the degree of financial control which is generally regarded as necessary in the case of public expenditure, should be taking essentially a safe course which would at the same time yield the maximum economy in direct costs". The then Finance Secretary, Sir Arthur McWatters, agreed with the Auditor General and gave his personal view that unless substantial economies could be effected, the alternative suggestion to combine audit and accounts should be seriously considered and he would like to be convinced that the actual benefits from separation were worth the increased cost.

The amalgamation did not actually take place mainly for two reasons. The separation had been completed only in 1929 and had thus had hardly two years' practical trial. Secondly, while reversion to the old system of combined Audit and Accounts would have achieved a total saving of about Rs. 15 lakhs, the Railway Accounts staff considered that they saw their way in any case to effecting economies of about Rs. 9 lakhs while retaining separation. Further in view of the position of the Railways in the projected constitution, it was considered that it was no longer practicable to cancel the separation. Thus separation in Railways was saved at the time when separation in the Civil side was abandoned.

When in 1947, the question of combining Audit and Accounts in the Defence and Railways was raised by the Bajpai Committee for Secretarial Reorganisation, the Financial Adviser, Military Finance Department, was in

favour of transferring the Military Accounts Department to the Auditor General and the then Auditor General who had been Financial Commissioner, Railways, earlier was willing to take over the responsibility for Railway Accounts and expressed his opinion that all the benefits that were expected from the separation of Railway Audit and Accounts had not materialised. The Financial Commissioner was opposed to it on the ground that as the Railway Accounts officers also acted as Financial Advisers to the Railway Administration, it would be inappropriate to deprive the Railways of expert financial advice.

The separation in the Defence Accounts and Audit had always been there and that in the Railways had already been in force for nearly two decades. So nothing further happened.

Position of Separation under the Government of India Act, 1935

The recommendations of the Joint Select Committee of the British Parliament which ultimately influenced the provisions relating to Audit and Accounts in the Government of India Act, 1935, were slightly different from those expressed by the Simon Commission. Its recommendation was as follows:

> "Central Audit and Accounts should apply as at present to the Provinces for a period of five years; but Provinces should be empowered to take over their own Accounts, or Audit as well as Accounts, on giving three years' notice, the earliest date for such notice being two years after the establishment or Provincial Autonomy. The Constitution Act should provide that if a Province elects to take over its own audit, the Chief Auditor of the Province shall be appointed by the Crown with tenure and conditions of service prescribed in the same way as those of the Auditor-General."

The provisions actually made in the Government of India Act, 1935 relating to Provincial Auditors General (Section 167) have been detailed in Chapter II. Paragraph 11 (2) & (3) of the Audit and Accounts Order, 1936 provided for separation of Accounts from Audit. These were somewhat modelled on Rule 25 of the earlier Auditor General's rules except that after the 1935 Reforms the question of approval to separation of the Secretary of State did not arise and it became a subject for settlement between the Governor General/Governor with the Auditor General according as Federal or Provincial Accounts were concerned. In substance the provision is still in force and is therefore reproduced for ready reference.

"11(2). As respects accounts of the Dominion, the Governor General,

and as respects accounts of a Province, the Governor, may after consultation with the Auditor General, make provision by rules for relieving the Auditor General from responsibility for the keeping of the accounts of any particular service or department.

11(3). The Governor General may after consultation with the Auditor General make provision by rules relieving the Auditor General from responsibility for keeping accounts of any particular class or character."

Suggestions for Revival of Separation

The first Indian Auditor General after Independence, Shri V. Narahari Rao, who found the department ravaged by depression, war and its aftermath started advocacy of separation. Below is an extract from the Report of the Economy Committee dated the 18th April, 1949, regarding the evidence the Auditor General gave before it.

Para 6 of the Economy Committee's Report.

"The Auditor General expressed himself strongly in favour of setting up separate organisations for the maintenance of accounts, and for the conduct of audit, the latter only being made the statutory responsibility of the Auditor General. In his view, the present system was unsound in many ways. The Auditor General, however, agreed that such a change would be impracticable for years to come. It would require a considerable augmentation of staff, while there was not sufficient staff then even for a combined system of audit and accounts."

In Para 27of the Audit Report 1949, on the Appropriation Accounts of the Central Government (Civil) 1947-48—Post Partition, the Auditor General said :

"The Executive authority and not the Audit Department are concerned with the payment of moneys on Government account and the maintenance of initial accounts."

The Ministry of Finance accepted the principle enunciated above. The Public Accounts Committee in Para 11 of its Report 1950-51 dealing with this suggestion pressed for a beginning in this respect to be made as early as possible and added :

"We consider it bad enough that the Comptroller and Auditor General of India is responsible not only for audit but also for the compilation of final accounts from the initial accounts rendered by the Executive except in the case of Defence and Railways, and we wholly agree with the

Comptroller and Auditor General that it is extremely improper to continue any longer the practice under which his officers also pass bills and make payments at the Headquarters of certain State Governments."

From the 1st April, 1951, Postal Life Insurance work was transferred from the Deputy Accountant General, Posts and Telegraphs, to the Director, Postal Life Insurance, Calcutta, an officer under the administrative control of the Director General, Posts and Telegraphs, audit only remaining with the Indian Audit Department.

The Public Accounts Committee again in its First Report, 1951-52, after emphasising the need for proper periodical reconciliation of departmental figures with those booked by the respective Accounts officers went on to make the following observations regarding separation:

Para 19 of the Public Accounts Committee's First Report, 1951-52.

"The Comptroller and Auditor General also brought to the notice of the Committee the system obtaining in this regard in the United kingdom. There, the responsibility for keeping the entire accounts rests with the Departments concerned. The Committee consider that it should not be difficult to follow the same procedure in India and recommend that steps should be taken to introduce the changes gradually but effectively."

Again in a statement made by the Comptroller and Auditor General at a meeting of the Subcommittee of the Public Accounts Committee on Exchequer Control over Public Expenditure (App. I to the Public Accounts Committee's Third Report, 1952-53) referred to the organisation of the necessary accounting machinery under the Administrative Departments and was supported by the sub-committee. The following recommendations were thereupon made by the Public Accounts Committee on the 20th December, 1952.

Recommendations of the Public Accounts Committee vide Serial Nos. 2 to 4 in Appendix VI to its Third Report, 1952-53.

(1) It is improper that the Comptroller and Auditor General should be saddled with the responsibilities of compiling Accounts of the Union and the State Governments and also of auditing the same.

(2) Separate Accounts offices for the various Ministries and the major spending Departments should be set up as soon as possible.

(3) Immediate preparatory steps should be taken in consultation with the Comptroller and Auditor General to separate Audit from Account, both at the Centre and in the States, the pace being limited

by the time required to bring about the necessary changes or organisation."

The Comptroller and Auditor General had suggested in July 1951 the transfer of work connected with supply payments and their accounting to the Administrative Ministry. In January 1953, he pressed the Finance Ministry for the early transfer of Food and Supply payments and Accounts to the Ministries. On the 7th May, 1953, the Finance Minister made the following statement in the Council of States :

"Now I am aware that not only in this House but also in the other House Hon'ble Members are attaching a very great deal of importance to it and I am glad to say that they are actively considering the extension of this system of separation to the civil and postal accounts and that is our intention also. I may, in this connection, inform the House that the transfer of the payments work of the Food and Supply Accounts offices of Government as a first step in this process is also under consideration between the officers of the Comptroller and Auditor General and our officers. I think, I am right in saying, Sir, that the Comptroller and Auditor General himself who, as I said, has been vigorously urging this matter, accepts that this process of separation will take some time and will have to be spread over a period and I feel myself that Hon'ble Members who have advocated this will be content to leave things at that so long as, as I said, (*a*) we accept the principle, and (*b*) we give some indication of our desire to implement that. I must point out that it is not merely the matter between the Comptroller and Auditor General and the Central Government but also the Accountants General in the States as they are keeping accounts of both the Central and of the State Governments, and all the accounting work so far as it relates to the State transactions has to be transferred to them.

The Public Accounts Committee recorded, in its 15th Report, the observations of the Ministry of Finance as follows :

Observations of the Ministry of Finance, Economic Affairs on above. Sl. Nos. 26-28, Appendix I to Public Accounts Committee's 15th Report, 1954-55.

Ministry of Finance (Economic Affairs) observed :

"The Separation of Accounts from Audit has been accepted in principle, but considering the administrative and other difficulties, this reform will have to be phased over a period in consultation with the States and Comptroller and Auditor General. A beginning has been made with

the accounts of the Postal Life Insurance Scheme and as a stage in the process Government is also relieving the Comptroller and Auditor General of the payments work done by them."

Pay and Accounts offices to deal with payments at the capital city were set up in Bombay and Madras.

The Estimates Committee also lent its support in May 1954, to separation in its Ninth Report and observed as follows :

Paras 35 and 36 of the Ninth Report 1953-54 of the Estimates Committee.

"35. The Committee have seen the Third Report of the Public Accounts Committee on the Exchequer Control over Public Expenditure and note with dissatisfaction that no effective action has so far been taken by Government to give effect to the proposals contained therein. It is essential that the accounting functions should be separated from the audit functions. The Comptroller and Auditor General should give his undivided attention to the audit of Public Funds and it is an unnecessary burden on him to look after the accounts and Treasury functions which are the responsibility of the administration. One of the causes of delay and defects in the present procedure is that the administrative Ministries are not conscious of their responsibility for keeping accounts of the expenditure that they incur. They are under the impression that this is the duty of someone else and they do not feel the necessary pinch that legitimately should fall on them. It is necessary that in order to enable the schemes to proceed with rapidity and according to programme, the accounting and payment functions should be taken over by the Ministry or Department concerned with immediate effect. There are no good reasons for Government to take such a long time to consider this urgent and important reform in the present machinery. It is common knowledge that the present accounting and Treasury system is so complicated, so archaic and so long winded that it takes months and months to compile figures of expenditure and then to reconcile them between the accounts and administrative authorities; and it requires completion of so many forms at both ends and a verification and check by so many authorities that the whole procedure has become a maze of complicated rules. Similarly in case of payments, there is considerable delay as the papers have to pass among the administrative, accounts and Treasury authorities. Under modern conditions, this is wholly unsuitable and the Comptroller and Auditor General has himself suggested a reform which is so obvious.

36. The Committee suggest that urgent steps should be taken to see that :

(*i*) the Comptroller and Auditor General concerns himself with the audit functions only;

(*ii*) the accounting and payment functions devolve on the Ministry concerned;

(*iii*) the administrative machinery should keep close watch over the progress of expenditure in relation to the budget grants and one of the duties of the Financial Adviser proposed in para 9 to be attached to each Ministry should be to control accounting and payment functions of the Ministry concerned;

(*iv*) if there is likely to be delay in the transferring of accounting functions to the respective Ministries, then until this is done the present Audit and Accounts organisation should be bifurcated and the Accounts side placed under an Accountant General or Director of Accounts under the Ministry of Finance for the time being. The staff which is at present doing the accounting functions should be transferred to the proposed offices or the Ministries concerned when the accounting functions are taken over by them. There should be no difficulty in effecting this change-over as this does not involve any appreciable additional manpower. It must be understood that the proposed centralisation of accounting work under the Accountant General or the Director of Accounts should be envisaged as a transitional measure to facilitate the ultimate objective of each Department being responsible for its expenditure and the accounts thereof; and

(*v*) the present system of Treasuries should be abolished.

The payments functions should be taken over by the Branches of the Imperial Bank of India, or, where a Branch of the Imperial Bank of India does not function, by a Branch of some other Scheduled Bank in consultation with the Reserve Bank. Where there is no Branch of the Imperial Bank of India or any Scheduled Bank in existence; the Treasury Office itself should be converted into a Pay Office of the Imperial Bank."

In the same month the Finance Minister made the following statement in the House of People:

Statement by Shri C.D. Deshmukh on the 17th April, 1954, in the House of People.

"There is one other rule which is very important, namely, that the

authority administering a grant is responsible for watching the progress of expenditure in public services under its control, and for keeping the expenditure within its grants. That is the responsibility of the administrative Ministry and not of the Finance Ministry." This is mentioned at this stage as when the experiment was revived the Pay and Accounts Officers were placed for this reason under the administrative control of the Administrative Ministry and not of the Finance Ministry."

Accounts and Audit in big Projects

Long before the commencement of the Hirakud and other Projects, it was recognised by the Government of India at various departmental conferences that there should be a Financial Adviser for each multipurpose project and a Chief Accounts Officer functioning under him for the project. The statutory audit would be under the Auditor General. This recommendation was reiterated at a high level conference held on the 7th September, 1948, at which the Auditor General and representatives of all the Ministries concerned were present. The Public Accounts Committee, repeatedly emphasised the need for planning the financial, accounting and audit organisation for each new project involving considerable expenditure. (Public Accounts Committee's Sixth Report, 1952-53). R85 R86. In an inter-departmental meeting held under the chairmanship of the Auditor General on the 7th December, 1948, the policy was accepted that in the projects of large magnitude the Chief Engineers in charge of such projects should have a Financial Adviser-cum-Accounts Officer or a separate qualified Accounts Officer if the volume of work justified it. Their functions were to see that all the provisions of the P.W. Account Code rules were properly observed and that the accounts were correctly maintained. The Accounts Officer was to assist the Executive in the maintenance of accounts, but the final responsibility was to rest with the P.W.D. Officers. The Accounts Officer would have direct access to the Financial Adviser and would be responsible for all the internal financial and accounts check. This internal check was apart from the statutory audit to be exercised by the Auditor General through his own independent staff. The Auditor General would locate his Audit office at the headquarters of the Chief Accounts Officer so that audit might be prompt and more extensive than in ordinary cases. This policy has since then been consistently followed. Thus, the Hirakud, Bhakra-Nangal, Chambal, Nagarjunasagar, etc., Projects have their own separate Accounts organisation with a separate statutory audit. There was nothing experimental about the separation of Audit

and Accounts in the big projects unlike the schemes that were tried in the United Provinces and certain Central Departments in 1924-31 or the schemes introduced in 1954 and after in certain Central Departments, in a Part A State and in a Part B State which are described later.

For illustration it is described below how the scheme works in the Nagarjunasagar Project.

Nagarjunasagar Project Accounts

The Nagarjunasagar Project is a multipurpose River Valley Project on the Krishna River at the historic spot "Vijayapuri" in Andhra Pradesh. It consists of the tallest and largest masonry dam in the world, with two Canals, one on the right side and another on the left side of the Dam to a length of 127 and 111 miles respectively in the first phase involving an estimated outlay of Rs. 140 crores. To enable the Engineers to devote more time and energy on the speedy construction of this mighty project and control its expenditure better, a Pay and Accounts Organisation was constituted in the Nagarjunasagar Project from its inception. This Pay and Accounts Organisation is in charge of the financial, payment and accounting functions of the Project. The Chief Accounts Officer is the head of this organisation. Under him there is a Deputy Chief Accounts Officer and a number of Pay and Accounts Officers.

In the Nagarjunasagar Project, the functions of the Financial Adviser and the Chief Accounts Officer are combined in one person, who is designated as the Financial Adviser and Chief Accounts Officer of the project. The post of Financial Adviser and Chief Accounts Officer is occupied by a Senior Indian Audit and Accounts Service Officer of the rank of Accountant General. The majority of the staff in the gazetted and non-gazetted cadres are borrowed from the Indian Audit and Accounts Departments. The Financial Adviser and Chief Accounts Officer is an invitee to all the meetings of the Nagarjunasagar Control Board, which takes policy decisions. He is also a member of the Nagarjunasagar Project Working Committee. The Financial Adviser and Chief Accounts Officer renders expert financial advice on all matters requiring Government sanction.

All payments are generally subject to cent per cent pre-check by the Pay and Accounts Office. Running Account bills in respect of distributaries in the Canals units however have been recently taken out of the pre-check of the Pay and Accounts Organisation. This is to enable the executive to make quicker payments to small job workers and petty contractors who do work in the distributaries. Promptness and quickness in payments are

ensured by suitable administrative measures and by fixing maximum time limits for various types of payments. There is also a well-defined procedure by which the Executive can obtain payments from the Pay and Accounts Office in urgent cases at short notice, even without the fulfilment of some of the usual technical formalities, by signing a form prescribed for this purpose and with an assurance that the formalities will be got fulfilled very soon thereafter. Book adjustments are altogether eliminated and all inter-departmental and inter-Government transactions are settled in cash. The Appropriation Accounts are prepared by the Accounts Organisation. The material for the Finance Accounts is also supplied by the Accounts Organisation.

The general pattern of accounts in the Project is that of the Public Works Department, with some changes to suit the peculiar needs of the Project. The recommendations of the Rates and Costs Committee have been taken note of in formulating the Stores Accounting Procedure in the Project. The S.I.B., S.R.B., priced Stores Ledger system is in existence in the Nagarjunasagar Project.

The expenditure in respect of the various units of the Project is regulated with reference to Gross and Net provisions made in the Budget. By maintenance of suitable Project Estimate Registers, the Chief Accounts Officer keeps watch over the totals of the estimates sanctioned *vis-a-vis* the provision in the phase estimate under various sub-heads. Likely excesses over the Project provision are pointed out to the Executive for necessary action.

In pursuance of the policy of the Government of India, Ministry of Irrigation and Power, regarding the formation of Costing Cells in big Irrigation Projects, a Costing Cell has been started in the Nagarjunasagar Project. This cell is working under the control of the Financial Adviser and Chief Accounts Officer. The object of the Cell is to enforce economy by constant review of performances during the construction of the Project, and it also helps in the allocation of indirect expenses and over-heads among the various units in a scientific manner.

Since the Project follows the Public Works Department System, the initial records connected with the works are maintained in the divisions. Some important initial accounts like the Materials-at-site accounts, Tools and Plant accounts, etc., are scrutinised during local inspection by a Pay and Accounts Officer. The inspection wing of the Financial and Accounting Organisation is to ensure prompt and correct maintenance of the initial records of the Division and to assist them in doing so.

The statutory responsibility for Audit rests with the Accountant General, Andhra Pradesh. A Resident Audit Office under the supervision of a Deputy Accountant General is functioning at the Dam site for concurrent

audit of the payments made by the Accounts Organisation. Local inspections are also arranged by the Resident Audit Office.

Accounts and Audit in Statutory Corporations and Government Companies

Where expenditure on development etc., is incurred through Statutory Corporations as in the Damodar Valley Corporation or through companies formed under the Indian Companies Act accounting responsibility vests in the Corporation or Company.

Revival of Experiments

Shri A. K. Chanda, who succeeded Shri V. Narahari Rao as Comptroller and Auditor General from the 15th August, 1954, lent his support to and processed the scheme on slightly different grounds. He considered that the malaise of Indian administration was an unnatural divorce of authority from responsibility. He felt that the transfer of accounting responsibilities to the administration followed by adequate devolution of authority to the Administration and Executive officers would make for administrative completeness and competence. The Pay and Accounts Officer could be an Interal Financial Adviser. He preferred to call the scheme "Departmentalisation of Accounts".

Experiments were revived on this modified basis at the Centre, in a Part A State and in a Part B State. A Pay and Accounts Officer was set up at Pondicherry with effect from the 1st November, 1954, on the *de facto* transfer of French Establishments in India to the Government of India. The responsibility for making payments and maintaining accounts of the Food, Rehabilitation and Supply Departments was transferred to the respective Ministries with effect from the 1st April, 1955. Similar transfer regarding payments and accounting of the Rajya Sabha and Lok Sabha Secretariats was made with effect from the 1st October, 1955, and of the Printing and Stationery Department to the Ministry of Works, Housing and Supply with effect from the 1st December, 1955. As among Part A States, West Bengal was selected for the experiment. A Pay and Accounts Office for the Education and Refugees, Relief and Rehabilitation Departments of that Government was started with effect from the 1st August, 1955. Among Part B States, a Pay and Accounts Office for the Police Department of the Saurashtra Government was set up with effect from the 1st December, 1955. The Government of India agreed to reimburse the State Governments to the extent of the

savings to the Audit Budget in consequence of the transfer of accounting work to the States.

Closure of/Halt to the Experiments

The Pay and Accounts Office in Saurashtra had to be closed from the 1st November, 1956 as a result of the merger of Saurashtra with Bombay. The Bengal Experiment was closed from the 1st November, 1957, as expectations from the scheme had not been realised and well understood financial principles had been disregarded under pressure of Departmental Officers. The payment and accounting arrangements in force before the setting up of the Pay and Account offices were revived from that date. The scheme in the Civil Departments where it had been implemented at the Centre, however, has continued ever since. The Office of the Accountant General, Food, Rehabilitation and Supply was differently organised from other Civil Accounts offices. It was already pre-auditing Supply payments. Separation, therefore, with its concomitant of pre-audit and centralised payments presented no special problem and only meant the superimposition of statutory audit. Even so, all payments are not centralised at one place only but are made from Delhi, Bombay and Calcutta. The centralised payments for Lok Sabha and Rajya Sabha also had no special attendant difficulties.

Difficulties in Extension of the Experiment

Even within the limited period the experiment was in force in the two States there was sufficient indication as to the difficulties that would have to be encountered if the scheme were to be extended to all States and all the Central Departments in which it was not already in force. The difficulties were as detailed below:

(1) It was wellnigh impossible to ensure prompt payments to Drawing Officers who were situated at stations at a considerable distance and difficult of quick communication. This resulted in frequent complaints for which no lasting solution could be found. Moreover, monthly paybills had to be signed much in advance of the date on which they would have been signed under the system of payment at Treasuries. Any temporary disruption in communications by floods, accidents, etc., immediately reacted adversely on the working of the system of centralised payments. Even in normal times, in actual practice postal delays over which neither the drawing officer nor the departmental Accounts Officer has any control, were not uncommon. The despatch of a large number of documents including cheques and Government

drafts by registered post had not only meant a considerable expenditure on postage but had also considerably added to the routine work and had further been found to lead to breakdowns unless special arrangements were made with the Postal authorities for receiving the large number of registered, etc., letters that were inevitable in the working of the system. For example, in the case of the Pay and Accounts Office of the West Bengal Government at Calcutta, the difficulty in this respect was very considerable till a separate post office was started in the Pay and Accounts building itself. Such arrangements may not be feasible in all cases.

(2) The rush of work in the last days of March when practically all sections in the Pay and Accounts Office are equally busy in pre-check, making any internal and temporary redistribution of work difficult, was a nightmare to Pay and Accounts Officers. This led to the issue in one office in the first year of working of pre-dated cheques long after the close of the year. That in this the Pay and Accounts Officer was acting in close concert with and under pressure from the departmental authorities throws up an aspect of the scheme that makes one pause. If this irregularity did not happen in the second year, it was tided over by an equally dangerous expedient of employing clerks on daily rate basis. For the proper working of the scheme of departmentalisation of accounts, it is essential that the correct relationship between the Departmental Accounts Officer and the Administrative Officers should be appreciated and scrupulously observed. It looks as though we have not yet evolved to that stage when the maintenance of these standards could be reckoned upon in all cases.

(3) In practice, for various reasons, the Pay and Accounts Officers found it difficult to enforce the instructions given to them regarding check of expenditure against appropriations before payment of bills and thus one of the main objects underlying the scheme was not adequately fulfilled.

(4) Another difficulty encountered was in settling by cheques/Government drafts inter-governmental and inter-departmental transactions arising towards the end of the year. If all these transactions were to be cleared and adjusted in accounts of the same year, it was necessary to prohibit such transactions right up to the last day of the year so as to allow for some time for the Accounts Officer who had to pay, to get and send the Government draft/cheque in time to enable the receiving Accounts Officer to realise the proceeds thereof by credit to Government account by the 31st March. Even with telegraphic transfers it was not always found possible to clear all such transactions by the 31st March. In practice it had also not been found possible to stop payments of this category altogether in the last day of March with the result that large amounts which could be adjusted against the

grants of the year in which the transactions arose under the other systems were shut out from such adjustment.

(5) One very important consideration in embarking on the scheme of Departmentalisation of Accounts was that it would enable the Departmental Accounts Officer to function as the internal Financial Adviser to the Department to which he was accredited which would, without involving the State in extra expenditure, make the administrative Departments/ Ministries more conscious of their financial responsibilities, enable the entrustment to them of wider financial powers, and afford a welcome relief to the Finance Ministry/Department which could largely confine itself to the general overall financial control and major issues of financial policy. This object had not, however, realised either at the Centre or in the States where the Scheme had been started. The Finance Ministry/Department did not make use of the Departmental Accounts Officer as internal Financial Adviser.

(6) Apart from the above difficulties the greatest deterrent to the progressive transfer of accounting functions from the Comptroller and Auditor General to the respective Ministries has been the great strain on manpower when efficiency is already diluted and the heavy extra cost disproportionate to any advantage to be gained.

Rethinking in Theory of Separation

Apart from the practical difficulties and the problems of cost and manpower involved there has been rethinking in some quarters of the theory of separation. It has been stated earlier that the British Commissioners who reported on Indian Accounts in 1864 were strongly against pre-audit particularly for salaries and fixed charges and that in 1920 the Government of India told the Secretary of State that there was nothing inconsistent in the combination of Audit and Accounting duties. History repeats itself.

Shri A. K. Chanda, the former Comptroller and Auditor General gave expression to the view that a great deal had been said about the inappropriateness of combining Accounting and Audit responsibilities in the same organisation. This thesis could not be of universal application. Accounting and Audit functions are not incompatible; they are inter-related, and it is not possible to draw readily a line of demarcation. The pre-check of claims before admission, the examination of contract documents, etc., with reference to established financial principles and practices undertaken in Accounting, are essentially audit processes. In actual practice, the accounts organisation's primary function is that of an internal auditor. An Audit,

independent of administration, is necessary to ensure that the internal Accounting organisation has not been coerced by the administration in admitting questionable claims and overlooking irregular practices. Where the Accounting organisation itself is outside the control of the administration, as in Government departments, there is nothing inherently wrong or objectionable in the combination of the two functions. The considerations on which audit should be kept separate from accounts, become thus inapplicable in the case of Government organisations.

Other arguments in favour of the combined system of Accounts and Audit have been adduced as follows:

It is also a common fallacy to speak as though the Accountant General is maintaining all accounts even where the Accountant General functions as a combined Audit and Accounts Officer. The initial accounts from which he compiles the accounts of the State or the Centre are maintained by other authorities. In respect of works not forming part of any major project, all the details of expenditure are recorded in the accounts maintained by the Divisional Officer. Thus the compiling of accounts from those rendered by Treasury and Departmental Officers who submit all the relevant vouchers to him has the advantage of giving him a much better and fuller insight into the realities than an audit dissociated from accounting could ever give. Further, an account compiled by an independent authority and checked with the control accounts of the administrative department could be of far more value than an account compiled by a Departmental Accounts Officer and only subjected to a test-check by audit.

At present, there are certain types of payments, *e.g.*, the pay and allowances of Gazetted Officers, pensions, grants by Government, certain categories of advances, etc. that are authorised by Accountants General (vide Chapter XVI). The limitation thus of the authority of the Treasuries in India to make payments strictly limited by Code rules and in a number of cases only under the authority of the Accountant General has been considered to be sound and healthy. It was in view of these limitations that Sir Ernest Burdon, as Auditor General observed as follows:

> "If the present audit and accounts system is retained, the addition of the English system of control over issues would be of negligible value, disproportionate to the cost and complication of the machinery involved, while the substitution of the English system for the present Indian arrangements would be a poor exchange."

Further, though the theory was strongly held in the past that the Comptroller and Auditor General should be only a critic of completed actions and it would be against that rule if he is associated with responsibility for

payment, international expert opinion as evidenced by the resolutions of the II International Congress of Supreme Audit Institutions held in Brussels in September 1956, which was attended by representatives of 44 countries has latterly veered round to the view that taking into account the fact that each country has a specific structure, it should be free to choose between entrusting preventive control over public expenditure to officials independent of the accountable agency or to the Supreme Audit Institution.

Some arguments against separation even before the 1924 experiments were:

(1) The system of scrutiny before payment cannot be universally applied. For example, in the case of contingent expenditure, such scrutiny must generally be limited to a check of lumpsum imprests paid to local officers; and in the case of the Public Works Department and of certain Central Departments (as for example the field parties of the Survey of India) there are difficulties in enforcing scrutiny before payment except when the unit whose bills require payment is centralised in a limited area.

(2) The compilation of accounts in an Accountant General's office could be and in fact has been speeded up in such a way that figures of progressive expenditure can often be ready for use within a few weeks of the date of payment and this would be sufficient for a greater part of the year. The control figures in the Departmental officers' books, if properly maintained and reconciled with those of the Accountant General, could supply the basis for proper expenditure control without the strain on cost and manpower that separation would involve.

(3) Instead of giving greater opportunities for higher audit as claimed by some, separation would adversely affect higher audit as the test-audit staff would be less in touch with the Executive than under the combined system.

(4) Lastly Government under separation will cease to have the expert advice on Service and Financial Rules and Regulations and accounting matters which they get from the Accountants General.

The arguments for and against total separation of Audit and Accounts in all Departments and Governments and practical difficulties in successfully working the schemes have been detailed above, to show sufficiently that any step to extend separation should be taken cautiously. State Governments from views gathered in 1954 did not seem to be too enthusiastic for its extension to the States. Where the scheme can be successfully worked and with advantage as in the case of major projects, it is already in force.

Need for Parliamentary Legislation for Universal Application of the Scheme

Under the existing constitutional provisions while it will be clearly permissive after discussion with the Auditor General to separate accounting responsibilites in respect of any particular service or department, it would apparently require Parliamentary Legislation to apply it as a general principle to all departments and Governments. Article 151 of the Constitution provides that the accounts of the Union and States shall be kept in such form as the Comptroller and Auditor General may, with the approval of the President, prescribe. This would seem to bring out that the problem of transfer of responsibility for accounts at the Centre cannot be dealt with by itself and without relation to the problem in the states. The necessity for co-ordination and control in the accounting field whether pertaining to the Union or State Governments was clearly recognised by the Constitution makers. In fact, while moving the introduction of Art. 127A of the Draft Constitution corresponding to Art. 151(2) as finally passed in the Constituent Assembly on the 1st August, 1949 Dr. B. R. Ambedkar said:

> "The House will remember that it has now adopted Articles whereby the Auditing and Accounting will become one single institution, so to say, under the authority of the Comptroller and Auditor General."

CHAPTER XIX

CONTROL OVER EXCHEQUER ISSUE

CONSTITUTIONAL BACKGROUND

In the United Kingdom, the Head of the Exchequer and the Audit Department is known as the Comptroller and Auditor General, his full designation being "Comptroller General of the Receipt and Issue of His Majesty's Exchequer and Auditor General of Public Accounts". This arrangement, under which the Comptroller and Auditor General, United Kingdom, heads the Exchequer and Audit Department, has been in force since 1866 when the separate offices of the Comptroller of the Exchequer and the Auditor General were united by the provisions of the Exchequer and Audit Department Act.

Before the commencement of the Constitution from the 26th January, 1950, the Government of India Act, 1935, provided, *vide* Section 166, for an Auditor General of India. The Constitution that came into force from the 26th January, 1950, *vide* Art. 148, provided for a Comptroller and Auditor General of India. As explained in Chapter II in adopting this designation, the Constitution makers did so to cover the enlarged scope of the work of the Auditor General that Parliament might enact for in regard to control of the expenses of Government. In other words, it was contemplated that in his capacity as Comptroller General, the Comptroller and Auditor General should be made responsible for duties similar to what his counterpart in the United Kingdom discharges as the Head of the Exchequer Department.

Dealing with the provision of a Civil Contingencies Fund, before the 1935 Act was passed, the India Office observed in 1933,[1] as follows:

> "We understand that some discussion has arisen in India on the point whether the provisions of the existing Government of India Act permit the constitution of the Civil Contigencies Fund. It may be that the Civil Contingencies Fund is required only if issues are controlled by an independent Controller General, and we, therefore, think that a Civil Contingencies Fund will not be required in India unless and until a system of Exchequer Issues is introduced."

Article 267 of the Constitution provides for a Contingency Fund both for the

[1] Note on Financial Machinery received with India Office letter to the Government of India No. P & J 3911-33, dated the 20th October, 1933.

Union and for States, and in doing so contemplates that issues of money for expenditure will be controlled by an independent Comptroller General. Articles 114 and 204 of the Constitution also prohibit, subject to the provisions of the Articles relating to supplementary, additional or excess grants, votes on account, votes of credit and exceptional grants (Arts. 115, 116, 205 & 206) no money can be withdrawn from the Consolidated Fund of India except under appropriation made by law in accordance with the provisions of those Articles.

There is no doubt that the Parliamentary enactment contemplated under Art. 149 of the Constitution will have to make direct provision for the duties and powers of the Comptroller and Auditor General as Comptroller General of Exchequer Issues and notwithstanding the fact that such an enactment has yet to be passed, it will be clear from what is stated above that the introduction of Exchequer control after providing for a Civil Contingencies Fund is only a question of time.

What is Exchequer Control?

In the Constitution of all the big democracies of the world, there is generally a provision that all funds raised by taxes or otherwise shall be pooled together in a consolidated fund. Historically, this expression "consolidated fund" is of British origin. The following is a description by an eminent author of the Consolidated Fund of the United Kingdom:

> "By the so-called Consolidated Fund Act of 1787, provision was made that there should be established a single fund to be known as the Consolidated Fund into which all public revenues should be paid and out of which all public expenditures should be met. A similar measure in reference to the revenues and expenditures of Ireland was enacted in 1816 and the two Consolidated Funds were further consolidated into one Consolidated Fund of Great Britain and Ireland.
>
> "It is difficult to over-value the importance of this action. It constitutes one of the greatest measures of financial reform accomplished by Parliament up to that time. As long as a system of assigning particular receipts to particular purposes prevailed, it was manifestly impossible for Parliament to exercise any close control over the administration of the public finances. Certainly, it was impossible to secure that Annual Consolidated Statement of public revenue and expenditure, in connection with an estimate of future needs, which is the foundation upon which any proper budgetary system must rest."

Though in India this historical background, *i.e.*, of removing the

earmarking of particular charges against particular sources of revenue and ensuring that every stream of public money should flow into one fund from which also the supplies for every public service should issue, may not apply, the Indian Constitution also has adopted the U.K. phraseology in this respect. All moneys in the Consolidated Fund stand to the credit of the "Exchequer", this being the term employed to designate the public Treasury. "The Exchequer is the place where the Government's revenues are received, where they are kept, supervised and controlled, and from whence they are issued". The expressions "Exchequer Account" and "Consolidated Fund" are synonymous. It is one of the fundamental principles of Parliamentary control over finance that no money issued from the Exchequer other than that which Parliament has itself authorised. It is the duty of the Comptroller General to satisfy himself that money is only paid out of the Exchequer for purposes approved by Parliament and up to an amount approved by Parliament. The Comptroller General is responsible to Parliament and not to the Executive.

The Comptroller and Auditor General as the Comptroller of Exchequer

The Comptroller and Auditor General in his capacity as the Comptroller of the Exchequer has been described as a "ministerial officer". He ministers to the needs of the Treasury. In his capacity as Auditor General he is solely a critical and quasi-judicial officer. It has, however, been observed by Durell in his "Parliamentary grants" that "the apparent financial inconsistency in uniting in the same person the dual office of the Comptroller General of the Receipt and Issue of the Exchequer and Auditor General of Public Accounts does not in fact possess any drawback or objectionable feature, though *prima facie* somewhat illogical, in that the officer controlling the issues is, in a sense, the auditor of his own acts".

Importance of Exchequer Control

(1) The following is a quotation from Durell's "Parliamentary Grants" bearing upon the importance of Exchequer control:

> "In the Department of the Comptroller General, if anywhere, says 'Low', the embodied spirit of the British Constitution abides; there are enshrined the long results of the struggle which placed the Controller of Public Funds beyond the reach of arbitrary power. In his capacity as Controller of

Exchequer as in that of Auditor, he is a check on the Treasury and is in no way under its influence. His position is, in practice, as independent as it is in theory, and he is thus able to carry out his duties to Parliament with the free hand which the Parliament intended he should have."

(2) Commander Hilton Young in a note dated the 14th March, 1920,[2] to the Government of India, spoke of the importance of control over Exchequer Issues in the following words:

"The Comptroller and Auditor General is an officer of the House of the Commons; and it is on his verification of Parliamentary authority before authorising any issue from the Exchequer that the House relies to prevent any money from coming into the hands of the spending departments, the expenditure of which has been authorised by the House. This is an essential part of complete Parliamentary control."

Again, speaking of checks on exchequer issues by the Comptroller and Auditor General, he remarked:

"Without some such provision, it certainly appears to me that there would be a very bad hole in the Legislature's control."

(3) Audit authorities in India, however, have very often in the past taken a different view regarding the importance of control over Exchequer Issues. In 1920, a high official of the Audit Department dealing with this point stated as follows:

"It is a very open question whether the safeguarding of votes in England is anything more than an interesting relic of the past... They could probably safely dispense tomorrow with the whole system of exchequer issues and rely in full security on the action of the Public Accounts Committee as aided by the Auditor General."

Another high official of the Audit Department writing on the 10th April, 1934, on the same point said:

"Control over exchequer issues is really a fossil buried there (in the British Constitution)."

(4) In taking this view, these authorities seem to have attached more importance to Commander Hilton Young's views as expressed in his monumental book "The System of National Finance" detached from its background than to his opinion recorded in 1920 as quoted above. But even those earlier observations in the book which are quoted below, were not intended to suggest that "Exchequer control" is of no importance and is merely a historical relic. They merely emphasise that for ensuring complete Parliamentary control, the control of exchequer issues has to be necessarily suplemented by certain

[2] Government of India, Finance Department, Accounts and Finance Proc. No. 1576, June 1920.

other checks.

"Our (British) system for the control of issues out of the Exchequer Account is thus elaborate in its formalities. It is undoubtedly well adapted to serve its purpose, which is to secure that no money shall leave that Account save under the authority of Parliament. That issues out of the Account should thus be checked and guarded is undoubtedly still of some moment. In the Account the money is under the control of the House of Commons. Once out of it, the House has lost control; the money can be spent as the Executive pleases, and, if it is wrongly spent, the House can take retributive and retrospective action only. But now that the responsibility of the Executive to Parliament is established beyond question, the importance of this particular form of control is far less than it was, and our respect for an interesting relic of great historic controversies should not be allowed to mislead us into supposing that the system of checks on Exchequer issues is of the smallest value in enforcing economy and preventing waste. It prevents the spenders from getting possession of more money than Parliament has granted them, or for purposes other than those for which it was granted. But for preventing them from making wasteful use of the money once they have got it, it neither pretends to be, nor is, of any use at all. It prevents money from being used outside the law in a way in which there is nowadays little temptation to use it. It does not prevent money from being wasted within the law, and with the enormous estimates and the ever-growing financial activities of the modern state, it is that sort of preventative that is the urgent need of the hour."

Control over exchequer issue does not by itself ensure full Parliamentary control over expenditure. It is aimed at safeguarding against over-drawal of the total sum granted by Parliament under each vote. It is the vote as a whole which is safeguarded. The system affords no check at all over the expenditure of money inside a vote, even if it be on services not contemplated in the budget. Further as stated by Hilton Young, "exchequer issues cannot prevent waste". There are, however, other controls and checks which are intended to do all that control of exchequer issues leaves undone to ensure full Parliamentary control. The audit of the expenditure by the Comptroller and Auditor General and his audit report and the scrutiny of the Public Accounts Committee supply the lacuna and complete the checks. It is all these checks together that ensure complete Parliamentary control and none of these can be left out as not ensuring full Parliamentary control by itself.

Opinion in high Audit circles in the United Kingdom seems to be that although the procedure was regarded in some quarters as archaic and

affording little safeguard and although it was probably unlikely in modern conditions that the Executive would deliberately attempt to withdraw money without proper authority, the procedure was of some constitutional importance and also of practical value in that it ensured great care on the part of the Treasury that they did not transgress the bounds of their authority to draw from the Fund.

Exchequer Control in U.K.

The control of expenditure starts in the United Kingdom soon after the Appropriation Act is passed by the Parliament. To understand how this control is exercised, it is necessary briefly to describe the Government banking and payment systems in the United Kingdom. Unlike India, in the United Kingdom there is only one source of issue of public moneys, namely, the Bank of England, London, and all payments are concentrated there. Departmental officers of Government with headquarters outside London are given adequate imprests which are recouped from time to time against bills submitted by them to the Ministries to which they are attached.

Each Ministry has got its own Accounting Officer. This Accounting Officer passes all bills payable by the Ministry, and issues "payable orders" on the Pay Master General. The Pay Master General was originally a high officer of the State but now operates almost entirely through the Assistant Pay Master General, a permanent Civil Servant. The Accounting Officer maintains suitable registers to watch that the "payable orders" issued by him against any Vote do not result in an excess over that Vote. The primary responsibility for not exceeding the Vote is that of the Accounting Officer.

The Government of the United Kingdom keeps its cash at the Bank of of England and the general control is exercised by the Treasury and by the Comptroller and Auditor General. Expenditure in detail is a matter for individual Departments. Nevertheless, with certain exceptions there is no direct connection between individual Departments and the Bank of England. Between them stands the Pay Master General.

The Pay Master General, who banks with the Bank of England, does not keep separate balances there for each Vote, but one balance, from which all Departmental demands presented to him through "payable orders" are paid. After payment he sends a periodical statement of orders paid to the respective Accounting Officers issuing them and receives acknowledgements from the latter. As regards Voted moneys, it is to the credit of the Pay Master General, and it is on his application that issues are made from the Exchequer Account, *i.e.*, the Account of the U.K. Government with the

Bank of England. Similarly, all moneys received by Departments are paid over to the Pay Master General.

Before the Pay Master General can encash the payable orders issued by the Accounting Officers of the Ministries, however, he should have the necessary funds in his account with the Bank. These are arranged in the manner explained below after the Appropriation Act is passed :

(1) A Royal Order under the Sign Manual authorises the Treasury with the concurrence of the Comptroller and Auditor General to issue from the Exchequer the amounts authorisedby the Appropriation Act;

(2) The Treasury, from time to time, requires the Comptroller and Auditor General to grant "Credits on the account of his Majesty's Exchequer for amount within these limits (without specifying for what particular supply services the money is required);

(3) The Comptroller and Auditor General writes to the Bank of England and "grants a credit to the Treasury on the account of His Majesty's Exchequer.. .to the amount of £....

(4) The Treasury requests the Bank to transfer sums (being within the amount of the credit granted by the Comptroller and Auditor General)" from the Exchequer to the Supply Account of His Majesty's Pay Master General in the books of the Bank, specifying the services in respect of which the issues are to be made; and

(5) The Bank executes the Treasury Order and transmits it to the Comptroller and Auditor General in support of the (daily) account of the Exchequer. These daily accounts received from the Bank of England and the various Treasury Orders referred to above enable the Comptroller and Auditor General to watch the progress of expenditure against the different Votes of the Parliament.

These credits authorised by the Comptroller and Auditor General and the Treasury Orders in favour of the various Departments issued by the Treasury are required at frequent intervals throughout the year. The Treasury does not require the Comptroller and Auditor General to write to the Bank of England to issue in favour of the Treasury the entire sum voted by the Parliament for the whole financial year.

This system in the United Kingdom thus ensures a direct control over withdrawals from the Consolidated Fund. The only excesses over a Vote which can take place under it will be as a result of issue of "payable orders" by an Accounting Officer in excess of the balance in a Vote, due to mistakes in accounting in his office. Such cases are, however, very rare and viewed by the Public Accounts Committee and the Parliament as grave lapses.

Prerequisites for Exchequer Control

From the description of exchequer control as exercised in the United Kingdom, and the observations as to what exchequer control is, it will be clear that there are four essentials before exchequer control can work. Firstly, exchequer control pre-supposes a separate Exchequer Account, *i.e.*, the account of moneys that have, under the Constitution to flow into the Consolidated Fund and all withdrawals from that fund which have to be in accordance with appropriation by law should not be mixed up with other accounts of Government which are mostly of a banking nature and for issues in connection with which the question of appropriation by law does not arise. All withdrawals from the Consolidated Fund should be covered not only by appropriation by law, but there should also be sufficient credit in the Consolidated Fund to meet the withdrawals. The Consolidated Fund Account has, therefore, got to have its own balances from time to time against which withdrawals could be authorised. The physical separation of balances between the Consolidated Fund, the Public Account and Contingency Fund Account has not so far been effected in India. The reasons for this have been detailed in Chapter XIII.

Secondly, the utilisation of departmental receipts to meet departmental expenditure should not be permitted. It would be against the concept of the Consolidated Fund to divert such receipts that should flow into the Fund to expenditure and though in the United Kingdom there is a practice of permitting such utilisation, this has resulted in a procedure of granting "Appropriation-in-aid". About the adoption of this system in India, the observations made by the India Office in 1933 quoted below still hold good:

> "This procedure has been laid down in England by the Public Accounts and Charges Act, 1891, and has been described as follows :
>
> "Where a Department expects receipts incidental to the ordinary course of its business (*e.g.*, fees or proceeds of sale of old stores) it is the practice of the Treasury, acting under statutory authority, to allow the Department, instead of paying such receipts into the Exchequer to use them to defray part of its expenditure."
>
> It has been recognised that this procedure constitutes an exception to the general rule that all money received is to be paid into the exchequer. We see no advantage in making any exception to the same principle which we have advocated for adoption in the case of India, and would prefer the simple procedure of paying into the exchequer all receipts and obtaining appropriation for the gross expenditure. We would not accept any necessity for a system

of appropriations-in-aid to arise in provinces, seeing that in the past no relaxation of Devolution Rule 16 has been permitted; but we would make enquiry of the Government of India whether, in its opinion, there is any justification on technical grounds for making such exception at the Centre.

The Central Government's Treasury Rules authorise the utilisation of departmental receipts towards departmental expenditure in a number of cases (Rule 7 of the Compilation of Treasury Rules, Vol. I, First Edition, 1957).

Thirdly, all withdrawals from the Consolidated Fund covered by a single vote should be concentrated in one place. It is only then that the Comptroller and Auditor General as Comptroller General of Exchequer Issues can write to the Bank at that station to grant a cerdit to the Treasury (or Finance Ministry/Department as we call it) of a specified amount on account of the Exchequer Account of Consolidated Fund.

Fourthly, different authorities should not be authorised to draw against a single vote.

Comparison between the British and the Indian Fiscal Arrangements

(1) The administrative arrangements of a country largely govern its fiscal arrangements. Thus, in the United Kingdom, the highly centralised fiscal system follows a highly centralised form of Government. There is only one public Treasury in the United Kingdom as compared with some 333 Treasuries and 1,743 Sub-Treasuries spread over several States in India. The Bank of England in London is the centre where the public balances and accounts of the United Kingdom are kept and from which original issues of public money are made; in other words, it is the only Treasury. Payments at outstations are made through imprest holders. In India, however, the District Treasury is the unit of the fiscal system, takes Government and in some cases non-Government receipts, makes payments and renders accounts to the Accountant General. There are still a number of Treasuries which hold moneys and make disbursements themselves, there being no branch of the State Bank of the Reserve Bank at the station. Similarly, the vast majority of Sub-Treasuries are non-bank Sub-Treasuries. Even in regard to payments for these numerous Treasuries, there are two distinct systems. Under the first, Government officers draw money from the Treasuries by the presentation of bills which give details of the charges. The payments made by the Treasuries are sorted out and arranged according to the final heads of account in the accounts rendered by the Treasuries to the Accountant

General. Under the other system, the departmental officers or departmental Accounts Officers draw the money required from the Treasuries by issuing cheques or presenting simple receipts. The payments are treated as "Remittances relating to the Department concerned" in the accounts of the Treasuries, the final heads being debited in the accounts compiled by the departmental Accounts Officers or in the accounts rendered by the departmental offices to the Accountant General. This system obtains in the Forest, Public Works, Posts and Telegraphs, Defence and a few other Departments.

(2) The existence of autonomous State Governments and a Union Government, each having a separate Consolidated Fund of its own covering a vast area and diverse population and the existence of numerous Treasuries has made the fiscal arrangements in India far more complex as against the concentrated and simple system in the United Kingdom. This has given rise to Exchange and Settlement Accounts which are great obstacles to effiicent Exchequer control, apart from introducing the resource problem or the never-ending task of distributing a cash balance which varies at different times of the year, according to their fluctuating requirements.

(3) In India, Government still performs many functions which elsewhere are undertaken by private enterprise, acts largely as banker or remitter and holds and pays immense sums of moneys which are not Government revenues or expenditure proper.

(4) (*a*) There is no authority in India corresponding to the Pay Master General in the United Kingdom to whom a reference has been made earlier and who comes in between the spending departments and the Bank, and on whom the Treasury has laid a direct personal duty to see that the total sum granted by Parliament for any vote is not exceeded. (*b*) Nor have we in India any authority corresponding to the National Debt Commissioners in the United Kingdom whose duty it is to receive whatever Government moneys are available for investment whether belonging to the Consolidated Fund, or to what in the Indian Constitution is called the Public Account. These Commissioners are empowered to make advances to the Treasury, out of the balances of public funds in their hands for investment, as Ways and Means advances under the Appropriation Act in the same way as the Bank of England. (*c*) While in the United Kingdom each Ministry has its own Accounting Officer and the Auditor General is not responsible for the maintenance of accounts, in India with the exception of Railways and Defence and a few other cases a combined system of Audit and Accounts which in the States covers all Departments and in the Union is not necessarily confined to one Ministry alone is generally in vogue.

The above differences between the fiscal arrangements in the United Kingdom and in India make the introduction in India of exchequer control on the lines of the United Kingdom extremely difficult.

Consideration of Introduction of Exchequer Control in the Past

The problem of introduction of Exchequer Control was considered on several occasions in the past. The Committee appointed by the Government of India in 1860 to report on the manner in which the principles of the English system of Estimate, Budget, Audit and Accounts, could best be carried out in India went into this question and observed[3] that in comparing the British and Indian systems it was obvious that many parts of the English practice were inapplicable to India. The Executive Government of India being supreme in respect of questions of expenditure, there was no necessity for any measures of the kind introduced in England to ensure Parliamentary control. The balances throughout the country being in the Government Treasuries, there was no room for any arrangements of the kind existing between the British Government and the Bank of England. There being no facilities in India of raising money at a moment's warning for the use of the Government, it was useless to make issues to disbursing officers in the manner in which issues were made by the Comptroller of the Exchequer in favour of the Pay Master General, and which had in view the saving of interest by keeping the balance at the lowest amount that might be necessary to meet immediate requirements. Nor did it appear possible, with reference to the extent of country to be provided for, and the delay in communications in India, that any advantage could be derived from an attempt to place any officer in the position of a Pay Master General, as Banker in the several departments, or as an adjuster of supplies from one department to another. The Government of India, therefore, took no action in the matter.

The problem was again considered in connection with the Montford Reforms of 1919. The Auditor General, Sir Frederic Gauntlett in dealing with this matter in 1918, held that under the system as prevailing in India, any system of control by exchequer warrant was unnecessary. In taking this view he was influenced by the fact that under the rules if a demand was presented at a Treasury, which was not provided for by the rules in the Code or was not covered by a special order received from the Account Office, it was the duty of the Treasury Officer to decline payment for want of authority.

[3] The Committee's report No. 1, dated the 30th July, 1860 *vide* also Government of India Financial Department Resolution No. 7371, dated the 18th August, 1960.

Under this rule the Treasury Officer would pass no salary, establishment or travelling allowance bills or any bill for ordinary contingent charges, unless he had received a copy of an order passed by a competent authority sanctioning the entertainment of the officer or establishment in respect of or by whom the charge was incurred. In the same way, a bill for contingent charges of a special nature or a grant-in-aid would not be passed until a Treasury Officer had received due authority. He relied on past experience, in considering that even without control over issues the danger of excess drawal over grants was not great. In view of the decentralisation of payments in India, if any control in this respect was to be exercised he thought that it would be confined to important works executed by the Public Works Department and other important classes of non-recurring expenditure by a system of Letters of Credit. He, however, feared that a system of Letters of Credit for each disbursing office at each Treasury would be extraordinarily complex. Further, this would require that the vote as a whole should be distributed between the various Treasuries in each Province. Even then it would not be worked unless there was a highly trained body of Treasury Officers under the direct control either of the Audit Department or of the Finance Department of the Government. On the whole, therefore, he considered that a scheme of Exchequer Control was not practicable in India. Sir Malcolm Hailey, the Finance Member, accepted these views. He was in full agreement in the conclusion that it should be the duty of the Finance Departments and not of the Audit officers to see that unsanctioned expenditure was closed down and this could best be obtained by an insistence on the rule that any officer incurring expenditure without sanction or against rule should immediately inform the Audit officer who in turn should bring it to the attention of the Finance Department. He thought that though the proceedings of the Public Accounts Committee were post-mortem, their criticism would have an anticipatory effect on the action of spending authorities, and indeed on the Finance Department. The whole matter was, therefore, dropped.

The matter was again revived in 1933, when the Government of India Act of 1935 was still in the offing. The India Office in a note headed "The System of Issues" while realising that the Legislature's control over expenditure could not be fully ensured by the "somewhat belated post-mortem inquest held by the Auditor General and the Public Accounts Committee", as by itself it did not provide a safeguard against excess over appropriations, dwelt on the difficulties of introducing the British system in India. It, however, considered that if it were found later that further measures were required to safeguard against excess of expenditure over appropriations, and

if suitable means could be devised for securing this, it should be open to the Central and local Legislatures to introduce legislation for an Exchequer Issue system or some variation of the system intended to secure the same results. The matter was given a quietus by a note submitted on the 30th April, 1934, to the Government of India by the Auditor General, Sir Ernest Burdon, who held that the introduction in India of the system of Exchequer Control was unnecessary and impracticable. He stressed the leading difference between the current finance organisation in India and in England, in that in India, accounts of public revenue and expenditure were maintained by an independent Audit Department, whose control over disbursements was very great and very detached, whereas in England they were maintained by Accounts Departments, which ordinarily were ancillary portions of the several administrative departments of the public service. He pointed out that the fact that in the Defence and the Railways, accounts were separated did not make much difference inasmuch as the accounts were not under the administrative departments, but under the Finance Department (the equivalent of the Treasury in the United Kingdom), and the tradition of the Defence and Railway Accounts departments and their connection with the Finance Department made them operate in very much the same manner and in the same spirit as the combined Accounts and Audit offices under the Auditor General. Audit followed closely payment and a continuous watch was thus kept over the progress of expenditure against appropriations not only in regard to the vote as a whole, but also in regard to the several subheads thereunder. The rules required the Audit Officer to issue warnings to disbursing officers and if necessary to controlling officers also, when excess appeared to be likely. The authority of the Treasuries in India to make payments was strictly limited by Code rules and in a number of cases payments could be made only under the authority of the Accountant General. In view of these checks and the power of disallowance vested in the Auditor General and the growing influence of the Public Accounts Committee, which was already considerable and was being rightly used, he advised Government as follows :

> "If the present Audit and Accounts system is retained, the addition of English system of control over issues would be of negligible value, disproportionate to the cost and complication of the machinery involved, while the substitution of the English system for the present Indian arrangements would be a poor exchange."

Exchequer Control in U.S.A.

One of the major changes made in the Exchequer Control system in U.S.A. in 1952 was to discontinue the procedure of issuing warrants for withdrawal of Funds periodically (once a quarter on receipt of requisitions from Disbursing Officers against Appropriations) by the Treasury after countersignature by the Comptroller General. At present the warrants are issued by the Budget Bureau (which is part of the President's Secretariat) without the countersignature of the Comptroller General and the warrants are for the entire amounts of the Appropriations and are issued without obtaining any requisition for funds from the disbursing officers.

Arrangements in the Experiment of 1955 as a Prelude to Exchequer Control

The Central Public Accounts Committee, in its Third Report dated the 20th December, 1952, recommended that the introduction of a system of Exchequer Control was urgently needed, that Audit should be separated from Accounts and that it was improper to vest the same authority with auditing and accounting functions. When the experiment for separation was revived in 1955, it was differently oriented from the earlier separation in accordance with the conception of providing for departmental competence and completeness. One of the features of the scheme, therefore, was that as a prelude to the introduction of Exchequer Control, the departmental Accounts Officer was required to see that no payment was made in excess of budget allotment unless it was covered by an advance from the Contingency Fund. Though the scheme of Departmentalisation of Accounts has been halted for the present in view of various considerations, which have been dealt with in Chapter XVIII, with the revised arrangements for budgetary and financial control promulgated in the Government of India, Ministry of Finance O.M. No. 9(5)-E (Corrd.)/58, dated the 18th August, 1958, which have been followed up by "The Delegation of Powers Rules, 1958" practically full control has now got vested in Administrative Ministries/Departments of their administrative, technical and financial components. Control over the accounting component, though it may take time on account of certain inherent difficulties for which solutions may have to be found and the manpower and extra cost involved, may be the only next step to enable them to better fulfil their accountability by a fuller control over their appropriation. The problems connected with the separation of Audit and Accounts have been dealt in great detail

in Chapter XVIII. This has to be followed up by the physical separation of the balances in the three Government accounts pertaining to the Consolidated Fund, Public Account and the Contingency Fund of the Union and State Governments before control over Exchequer issues on the English model can be adopted in India (*vide* Chapter XIII).

CHAPTER XX

CODES AND MANUALS OF THE COMPTROLLER AND AUDITOR GENERAL

(A) Civil Account Code

Prior to 1865, the orders of the Comptroller General were embodied in circulars issued from time to time. Annually these circular orders were consolidated in one bound volume. In 1865, all the circular orders were reviewed and important orders were consolidated in the shape of books explaining the system of audit and accounts for the Civil Department and the relation in which the Civil Account stood to those of the Military and Public Works Departments. While publishing the first volume, it was contemplated that future circulars of the Comptroller General of Accounts, Treasury and Departmental Accounts Branch, would be issued in that form and for convenience of filing and reference pages would be numbered with a fresh series of numbers commencing with 1, thus forming the second volume of circulars. A space had also been left after each letter in the Index to admit of additional entries for future circulars.

In 1878, the Comptroller General consolidated these orders in the shape of a book known as "Civil Account Code, 1st Edition" consisting of five parts. Parts I and II dealt with instructions to officers generally in dealing with Treasuries and Treasury Procedure. Parts III to V described the procedure in Account Offices (*viz.*, Treasury Audit and Account, Book Department, Miscellaneous including Resource and Budget, Departmental Regulations, office procedure, etc.). The code was circulated by the Comptroller General with his Circular No. 29, dated the 12th December, 1878. In circulating the Code, attention was drawn to some of the changes of practice introduced into the instructions as then framed. In minor matters there were also several changes and in several parts the instructions were made more full and explicit. The Code was printed, both as a whole and in several separate portions, the intention being that each assistant engaged in the accounts work of an Accountant General's Office should have in his possession those parts of the general Code pertaining to the work entrusted to him. It was also contemplated that Part VI of the Code would be the "List of Heads of Account" and would be made up as soon as the form of the accounts had passed through its transition stage.

In 1881, this book was split up into two volumes—Volume I including Parts I and II of the First Edition and Volume II incorporating Parts III to V (Procedure in Account Offices), List of the Major and Minor Heads of Account being added as Appendix J, incorporating all the corrections up to the 28th February, 1881. Volume II of the Civil Account Code, 2nd Edition, was brought into use in Comptroller General's Office Circular No. 23, dated the 28th February, 1881, introducing some changes of procedure which had not already been communicated in his Circulars of Code Corrections before then. As many as Seven Editions and several reprints between 1878 and 1913 were issued incorporating corrections from time to time, the last edition being in force till 1920.

When considering in connection with the Government of India Act, 1919 in what compilations the orders then included in the Civil Account Code should appear, the subject fell to be dealt with under the following heads :

(1) Instructions to departmental officers as to the procedure to be adopted in drawing money from Treasuries and to the Treasuries as to what checks should be applied by them before payments were made ;
(2) The accounts to be maintained in Treasuries and departmental offices and those that had to be rendered by them to Audit Officers,
(3) Instructions regarding the Audit of Accounts.
(4) Instructions regarding the accounts to be kept in Audit Offices.
(5) Departmental regulations affecting the Indian Finance Department ; and
(6) Miscellaneous matters.

As regards (1) the following rule was included in the rules framed under Section 45A of the Act of 1919.

"16. All moneys derived from sources of provincial revenue shall be paid into the public account, of which the Governor General in Council is custodian, and credited to the Government of the Province. The Governor General in Council shall have power, with the previous sanction of the Secretary of State in Council, to prescribe by general or special order the procedure to be followed in the payment of moneys into, and in the withdrawal, transfer and disbursement of moneys from the public account, and for the custody of moneys standing in the account."

The intention was that the more important rules in the Civil Account Code and in the Resource Manual, which had recently been compiled by the Controller of Currency, which governed the procedure for the payment of

moneys into Treasuries and for their withdrawal should be issued as general or special orders under this rule and that subsidiary details should be left to the local Governments to frame subject to the condition that all audit requirements were fulfilled. Most of the rules falling under this category were, therefore, to be framed by local Governments in future but the rules so framed would apply only to provincial transactions and it would be open to the Governor General in Council to frame his own rules regarding "Central" transactions. These "Central transactions included not only those relating to final heads but also those relating to such of the Debt heads as had not been definitely provincialised, *e.g.*, the transactions relating to the Provincial loan account had been made over to Provincial Governments definitely but transactions relating to Provident Funds or deposits or ordinary advances had not been declared to be Provincial. It was, therefore, open to the Government of India to issue orders (under the Agency rules framed under Section 45A) specifying what procedure should be adopted by the Treasuries and the departmental officers with regard to such matters. It was not, however, until 1941 that the Central Government Compilation of Treasury Rules was issued. By that time the Government of India Act, 1935 had come into force and Section 151(1) of that Act provided for the making of rules for the custody of public moneys. Section 124(1) enabled the Governor General to entrust officers in charge of Provincial Treasuries and Sub-Treasuries with the functions of receiving and disbursing and authorising the Reserve Bank and its agents to receive and disburse moneys of Central Government in accordance with the Central Government's Treasury Rules. Till then the rules in the Civil Account Code, Eighth Edition to which further mention is made below continued in force in this regard.

As regards rules issuable by the Auditor General regarding the accounts to be maintained in Treasuries and departmental offices they were contained in the Civil Account Code Volumes I & II, Eighth Edition as also in the Forest Account Code and Public Works Account Code about which mention is made later. It was only on the 23rd December, 1938 that the Account Code in four volumes was published superseding the corresponding rules in those Codes.

The rules relating to audit of accounts were embodied in the Audit Code issued on the 18th November, 1921 which superseded the corresponding rules in the Civil Account Code, Volumes I & II, Seventh Edition and the Public Works Department Code Volume II, Seventh Edition.

Instructions regarding accounts to be kept in Audit offices, the principles on which they were based and the procedure to be adopted in their

maintenance were embodied in Account Code, First Edition, issued on the 1st March, 1922 superseding the rules in this respect in the Civil Account Code, Volume II, Seventh Edition and in the Public Works Department Code (1908 Edition) as modified on the 1st October, 1918 by the Order on the revised system of Public Works Accounts.

The Departmental Regulations affecting the Indian Finance Department (Indian Audit and Accounts Department after the 1919 Reforms) were embodied in the Audit Code.

The rules falling under the head "Miscellaneous" could be grouped under the following heads :

(1) Rules relating to Currency, Coinage, Resource, Public Debt, etc., which were administered by the Controller of Currency.
(2) Rules containing powers for sanctioning expenditure.
(3) Rules regarding Budget.
(4) General financial rules.

As regards the rules falling under (1) these were embodied in the Central Government Compilation of Treasury Rules issued in 1941. Till then the Resource Manual, a second reprint of which was issued by the Government of India in 1929, was in force. Those falling under (2) were embodied in the New Audit Resolution and Book of Financial Powers. As regards rules regarding Budget, the procedure after the Montford Reforms was laid down in a Government of India, Ministry of Finance Resolution of the 12th July, 1921. Eventually the provisions as modified in 1932 were embodied in the General Financial Rules issued in 1947. State Governments have their own rules.

Civil Account Code, Eighth Edition, was published on the 28th February, 1920, in two volumes. Volume I was primarily a reproduction of the Seventh Edition of the Civil Account Code, Vol. I, Part I, with such alterations and additions as had been necessitated by the amalgamation of the Civil and Public Works Accounts offices and by the introduction of the revised system of Public Works Accounts and omitted all portions dealing with rules on matters which were under the administrative control of the Controller of Currency. Volume II described the procedure observed in Treasuries in respect of transactions with the public and with all departments, *i.e.*, Civil, Military, Railways and Posts and Telegraphs corresponding to Part II of Volume I of the Seventh Edition but omitted the departmental regulations and the procedure relating to audit and accounts which had been described in Volume II of the Seventh Edition of the Civil Account Code. As stated earlier these were incorporated in two separate publications, *viz.*, Audit Code and Account Code.

The Eighth Edition of the Civil Account Code became obsolete bit by bit, with the publication of the Revised Account Code in four volumes in 1939-40, the Central Government Compilation of Treasury Rules in 1941 and the General Financial Rules in 1947 and is now no longer in force. Yet of all Codes of the Auditor General this Code had the longest spell of life from 1878 to 1947, nearly seven decades.

(B) Account Code

It has been described earlier that the First Edition of the Account Code was issued by the Auditor General in 1921 in virtue of his functions as defined in the Auditor General's Rules, that these rules described the accounts maintained in the Audit Office the principles on which they were based and the procedure to be adopted in their maintenance and that they superseded the rules in that respect in the Civil Account Code, Volume II, Seventh Edition, and the Public Works Department Code (Edition of 1908) as modified by the revised system of Public Works Accounts promulgated on the 1st October, 1918.

The next edition of the Account Code was issued after the Government of India Act, 1935 had come into force. This edition was intended to be more comprehensive than that of 1921 and was planned to include many rules and instructions that were till then embodied in the Account Code, First Edition, the Civil Account Code Volumes I and II, Eighth Edition, the Audit Code Volumes I and II, First Edition, the Public Works Account Code, First Edition and the Forest Account Code, First Edition.

The new Account Code which is deemed to be still in force is in four volumes, namely

Vol. I. General Principles and Methods of Accounts.
Vol. II. Treasury Accounts.
Vol. III. Departmental Accounts.
Vol. IV. Accounts kept in Account Offices.

Account Code, Volume I, besides describing the functions of the Auditor General of India in relation to Government Accounts and the general outlines of the system of these accounts, sets out the main Directions issued by the Auditor General of India with the approval of the Governor General in Council in pursuance of Section 168 of the Government of India Act, 1935. The List of Major and Minor Heads of Account of Central and Provincial Receipts and Disbursements which for the sake of convenience has been printed separately, forms an Appendix to that volume. This Code was compiled on the 23rd December, 1938.

Account Code, Vol. II, First Edition, was compiled on the 24th December, 1938 by the Auditor General. The directions contained in this Volume are grouped into three parts :

Part I : sets out the scope of the directions and defines certain terms used in that Volume.

Part II : describes the methods and principles according to which accounts should be kept and rendered to Audit and Account Officers by Treasuries.

Part III : contains direction regarding accounts of Small Coin Depots and the directions in part supersede the rules on the subject contained in the Resource Manual, First Edition.

Account Code, Vol. III, First Edition, was compiled on the 23rd December, 1938. The directions contained in this volume have been grouped into three distinct parts. Part I contains general directions how the forms of account to be kept and rendered by the various Departments should be determined and how certain terms used in this volume have to be interpreted. The directions contained in Part II and III relate to the methods and principles in accordance with which the initial and subsidiary accounts should be kept and the compiled accounts rendered to the Accontant General by officers of the Public Works and Forest Department respectively.

Account Code, Vol. IV, First Edition, was compiled on the 30th December, 1938, and contains mainly the instructions relating to the forms in which accounts have to be kept in Account offices under the control of the Auditor General and the procedure to be adopted in keeping them. These instructions so far as they relate to the technical processes of compilation could be issued by the Auditor General by virtue of the power vested in him under Para 11(1) of the Audit and Accounts Order, 1936.

The Account Code is now deemed to have been issued by the Comptroller and Auditor General with the approval of the President under Art. 150 of the Constitution. The full significance of this Article has been explained in Chapters I and XIII.

On practical grounds, in regard to Directions relating to the initial and subsidiary accounts kept by officers of the Railway and Defence Departments that are to be issued by the Comptroller and Auditor General, he has adopted a convention that the forms determined by the departmental authorities should be taken to have been duly prescribed under Art. 150 if they are not questioned by the Comptroller and Auditor General-cum-President. In the case of these two Departments the Comptroller and Auditor General is not responsible for maintenance of accounts. In the case of the Posts and Telegraphs Department and other technical departments however, whose

accounts are not settled through the Treasury Accounts the forms of classified account in which Departmental Offices should render account to the Audit and Account Office and the forms of any initial or subsidiary accounts on which the accounts so rendered are based, have been left to be determined by the Accountant General concerned, subject to the general control of the Comptroller and Auditor General-cum-President. These forms and instructions relating to them are included in the local account manuals or in the manual or departmental regulations relating to the Departments concerned. Thus the Posts and Telegraphs Accounts Manual issued by the Accountant General, Posts and Telegraphs, who is a combined Audit and Accounts Officer, contains detailed instructions mainly of a procedural nature regarding the form and the method of keeping and rendering accounts by the Posts and Telegraphs Accounts Offices and is in effect a supplement to the Account Code.

(C) Audit Code and Audit Manual

Audit Code, First Edition, 1922 was compiled by the Auditor General on the 28th November, 1921 and derived its authority from the functions of the Auditor General as defined in the Statutory Rules framed under Section 96D of the Government of India Act. The detailed instructions embodied in this Code were intended primarily for the guidance of Civil Audit offices. In other Audit offices the general rules and principles on which the instructions of this Code were based and the orders which defined the nature and extent of audit to be applied to different classes of transactions had to be taken as a guide, though in matters of detail the rules in their respective Codes were applicable.

This Code was divided into seven parts:

Part I, Departmental Regulations was a reproduction of Chapters 76-80 of the Civil Account Code, Vol. II, 7th Edition, excluding the portions dealing with rules relating to matters which came under the administrative control of the Controller of Currency, with additions and amendments necessitated by the amalgamation of the Civil and Public Works Accounts and the Reforms. Part II embodied the general rules and principles in respect of (*a*) the nature and extent of audit, (*b*) classification, and (*c*) grants and appropriation as they stood under the constitutional position created by the Reforms. Parts III, Treasury Audit and Part V, Forest Audit were issued in supersession of corresponding provision in the Civil Account Code, Seventh Edition, Part IV, Public Works Department Audit superseded the relevant rules in Vol. II of

the Public Works Department Code, Seventh Edition. Part VI was a collection of up to date instructions in regard to raising, recording, pursuance and clearance of objections in audit and the procedure for presenting the results of audit to the Legislature and the Parliament in the form of Audit and Appropriation Reports. Part VII, Inspections contained detailed instructions for inspection and test-audit of the accounts of (1) Public Works Officers (2) Treasuries (3) Other officers (4) Currency, Small Coin Depots, Mint, etc.

In 1928, for the sake of convenience, the Audit Code was reprinted in two volumes—Volume I embodying the rules contained in the main body of the Code, and Volume II, the Appendices and Forms. Appendix 7 "List of Major and Minor Heads of Accounts of Central and Provincial Receipts and Disbursements" which had previously appeared as a separate volume was incorporated in Volume II.

By virtue of the provisions of the Government of India (Audit and Accounts) Order, 1936, made under Sections 166 and 170 of the Government of India Act, 1935, it had become necessary to manualise all audit directions of the Auditor General in a book called "Audit Code" and the less important regulations governing procedure in another called "Audit Manual". Thus the Audit Code and Audit Manual issued in 1938 together superseded all the rules and instructions relating to audit contained in the Audit Code, Vol. I and Vol. II, First Edition, 2nd Reprint. Purely administrative matters relating to the Department were included in the Auditor General's Manual of Standing Orders and excluded from the new Audit Code.

The new Audit Code, was divided into five sections as follows:

(I) Definition,

(II) Functions of the Auditor General and general audit arrangements,

(III) General principles and rules of audit,

(IV) Supplementary Audit and Regulations, and

(V) Results of Audit.

Except where a contrary intention had been expressed, the instructions in this Code were considered as mandatory and not permissive.

The Audit Manual, First Edition, compiled on the 3rd May, 1939, contained the more detailed and less important instructions and regulations which should govern audit procedure and which for the most part were based on the procedure rules contained in the Audit Code, Vol. I and II, First Edition (2nd Reprint). The instructions embodied in this Manual were intended primarily for the guidance of Civil Audit Officers. They had, however, been taken as a guide in other Audit offices though in matters of detail the rules contained in the respective codes or manuals of those offices were to apply.

Besides the instructions prescribing audit procedure it had been found necessary in some cases to set out as well the connected accounting procedure in the Manual. This course was adopted not only for facility of reference but also for the reason that in a Civil Audit Office where both Accounting and Audit duties are performed by the same staff, it is sometimes difficult to make a clear cut distinction between Accounting and Audit functions. There was, therefore, some unavoidable overlapping between the Account Code and Audit Manual.

The Audit Manual used to contain details as to the percentage audit conducted by the Indian Audit and Accounts Department. These were later removed to a secret publication.

The detailed instructions for audit in respect of the Posts and Telegraphs, Railway and Defence Departments are contained in the Manuals of the Accountant General, Posts and Telegraphs, Additional Deputy Comptroller and Auditor General (Railway) and *Ex officio* Director of Railway Audit and the Director of Audit, Defence Services respectively.

(D) Manual of Standing Orders (Technical), Vols. I and II First Edition, 1962

Till 1962 all essential audit directions of the Comptroller and Auditor General were set out in the Audit Code while the more detailed and less important instructions and regulations governing audit procedure were incorporated in the Audit Manual. The Audit Code was a priced publication while the Audit Manual was an unpriced publication for departmental use only. It was decided in 1962 that the Audit principles and instructions should be published in one volume and should be issued purely for departmental use as the audit directions issued by the Comptroller and Auditor General are meant for the guidance of the Indian Audit and Accounts Department only. The new book called "Comptroller and Auditor General's Manual of Standing Orders (Technical)" thus supersedes the instructions contained in Audit Code and Audit Manual and is not available to offices outside the Department or to the public.

(E) Manual of Standing Orders

The instructions relating to the organisation, administration and control of the Indian Audit Department as an administrative unit were prior to 1938, scattered in several codes issued by the Auditor General while some instructions issued in the form of circulars had not been included in any code or

manual. The Auditor General's Audit and Account Codes served as books of reference on audit and accounts matters not only for the staff of the Indian Audit Department but also for the Central and Provincial Governments and their subordinate offices. The inclusion in such codes of rules and instructions pertaining to the organisation and internal administration and control of the Indian Audit Department was considered neither suitable nor convenient; and thse rules and instructions were brought together in the Manual of Standing Orders, advantage being thus taken of the opportunity afforded by the revision of the Auditor General's Codes to adapt them to the constitutional changes introduced by the Government of India Act, 1935. The rules and instructions themselves were revised and brought up to date.

For the sake of convenience of reference, the administrative and financial powers of the Auditor General and the financial powers of Accountants General were set out in this Manual, based on the rules in the Book of Financial Powers and other rules and orders issued by the Central Government from time to time. The First Edition was approved for issue on the 20th April, 1938.

A reprint of the First Edition of the "Auditor General's Manual of Standing Orders" issued in 1938, was approved for issue on the 1st March, 1952, with such adaptations and modifications as had been rendered necessary by the constitutional changes introduced by the Constitution of India, or by other factors. It also included certain orders and instructions which did not find a place in the original edition.

(F) Manual of Audit Instructions

The Manual of Audit Instructions had its genesis in the Reforms of 1919.

Comparing the old and the new Audit Resolution it will be found that some rules in the old had been omitted from the new Resolutions though from a strict audit point of view the omitted rules still continued to be necessary. To take an illustration, Note 3 under Rules III (2) Main Audit Resolution contained an order to the effect that excesses over scales of establishment might be admitted by Audit officers under certain circumstances. These orders were issued with the sanction of the Secretary of State, and they were as necessary in the future as in the past. The intention was that the Auditor General should issue such orders separately as "Audit Instructions" as the orders were really of the nature of interpretations which it would be open to the Auditor General to give specially in view of his enhanced position and responsibility.

Such rules existed not only in the Audit Resolutions but also in the Civil Service Regulations and in other codes such as the Public Works and Forest Codes. Thus there was a rule in the Public Works Code under which when an officer returned from leave and relieved another both the relieving and relieved officers were considered to be on duty in the appointment the charge of which was changed. There was a corresponding rule in the Forest Code also and if special orders did not exist Audit officers could not pass the pay of both the officers against the same appointment. The necessities of the department, however, required that both the relieving and the relieved officers should work together for some days and special orders were accordingly issued with the sanction of competent authority to provide for such cases and included in the codes. The intention, however, was that these codes should not in future contain any rules requiring a reference to the Secretary of State. It was in accordance with this principle that Rule IV of the Main Audit Resolution had been abolished from the new Resolutions. Further with regard to transferred subjects the powers of local Governments and of the Secretary of State were fixed in Statutory Rules and that additional powers like those contained in these rules could not be given by the Secretary of State in future under executive orders. To avoid all difficulties, therefore, it was decided that such orders which were of obvious necessity and which had been sanctioned under the old regime by the Secretary of State should be issued as audit instructions.

The Audit Instructions issued up to the 31st October, 1922, were first printed in one volume and later those issued from the 1st November, 1922 to the 31st May, 1924, were published as Volume II. A fresh compilation of all Audit Instructions was issued in 1926. Further editions were issued in 1938 and 1951 after making such adaptations, modifications and additions as had been rendered necessary by the constitutional changes and other factors. Since 1926 all Audit Instructions issued have been published in the form of corrections to the Manual and not as circulars as done earlier.

These instructions are merely intended for the guidance of Audit Officers and are to be followed in interpreting the rules or orders to which they refer. They are not intended to override any orders issued by the Government of India or State Governments in exercise of any specific powers or discretionary right vested in them under the Constitution and the laws and rules issued thereunder. In view of the provisions of Fundamental Rule 8 reserving to Government the power to interpret those rules, instructions which purport to interpret any Fundamental Rule embody the views of the Finance Ministry of the Government of India.

(G) Revenue Audit Manuals

The expansion of the functions of the Comptroller and Auditor General in regard to "Audit of Receipts" has been explained in Chapter XIV. Customs Audit was decentralised and entrusted to Maritime Accountants General in 1932 and the Accountant General, Central Revenues was made the supervising and the co-ordinating authority in the scheme of decentralisation. The Customs Audit Manual was issued by him in 1938 based on a draft prepared by an officer on special duty. A new edition under the authority of the Comptroller and Auditor General is expected to issue shortly.

Revenue Audit differs from expenditure audit in many respects, the most important being that the former requires a knowledge of the law relating the revenue and the decisions of courts interpreting the Law. When the decision was taken to extend the field of Revenue Audit to cover Income tax, the services of an officer of the Indian Revenue Service were obtained on deputation to the Audit Department and a Revenue Audit Section was formed in the office of the Comptroller and Auditor General. The Revenue Audit Manual Part I covering audit of Income Tax Revenues was issued under the authority of the Comptroller and Auditor General in 1961, setting out the basic provisions of the law relating to the levy, assessment and collection of Income tax illustrating them with examples wherever necessary.

Part II of the Manual issued in the same year covers audit of Central Excise.

(H) Public Works Codes

It has been explained in Chapter III that Public Works Accounts and Audit were amalgamated from the 1st April, 1910, and that prior to that date there was an Accountant General, Public Works Department under the Government of India since 1865. The First Edition of the Public Works Department Code was issued in 1866 and covered organisational, administrative and accounts matters. The Code ran into nine editions by 1907. On the amalgamation of the Civil and Public Works Accounts from the 1st April, 1910, the account rules came under the administration of the Government of India, Finance Department. That Department, however, decided to continue the rules in their old place pending a complete revision of the rules. The general organisation of the amalgamated accounts hinged on the questions whether salaries, etc., should be paid from the Treasuries, whether the work of compilation should be performed in divisional offices or transferred to the office of the Accountant General and

various other smaller points. It was desirable to allow these points to be worked out gradually. It was also necessary to authorise local variations in practice during the period of transition, as the experience thus gained might be useful when the question of codification was taken up. In these circumstances, the Government of India invested[4] the Comptroller and Auditor General in its orders of the 30th April, 1912 with discretion to vary, or, when necessary depart from the rules in the Public Works Code, pending their formal revision.

The revised system of Public Works Accounts was promulgated[5] in a Finance Department letter of the 1st October, 1918. The Tenth Edition of the Public Works Department Code was issued by the Government of India in 1919 excluding matters relating to Accounts which were to be embodied in the Public Works Account Code to be issued by the Auditor General. This edition was superseded in 1929 by the Central Public Works Department Code which differed materially from that which it superseded. As, however, some delay was anticipated in the publication of the Public Works Account Code, the Auditor General arranged for the provisional issue of (1) the Works Accounts Chapter of that Code dealing with rules relating to the accounts of works as maintained in sub-divisional and divisional offices and (2) the Works Accounts forms referred to therein. This Chapter supplemented the "Revised system of Accounts" promulgated on the 1st October, 1918.

The Public Works Account Code, First Edition, was got ready by the Auditor General on the 29th November, 1921, and was published in 1922. The rules in this code described the accounts maintained in respect of Public Works transactions, the principles on which they were based and the procedure to be adopted in their maintenance. They superseded the rules in that respect in (*i*) the Public Works Department Code (1908 Edition) and (*ii*) the rules promulgated by the Government of India on the 1st October, 1918 regarding the revised system of Public Works Accounts. The Code was reprinted in 1935. The directions and rules contained in the four volumes of the Account Code published in 1939 superseded in respect of the matters with which they dealt the corresponding rules in the Public Works Account Code, First Edition, Part III of the Account Code dealt with classification of Public Works receipts and expenditure and account to be kept in Public Works Offices and Accounts Returns rendered by Public Works Officers, Part IV dealt

[4] Government of India, Finance Department letter No. 2866-A, dated the 30th April, 1912.

[5] Government of India, Finance Department letter No. 1582-A, dated the Ist October, 1918.

with the procedure in the Audit office in dealing with Public Works Accounts received from the Divisions, the rules relating to the preparation of Capital and Revenue Accounts of Residential Buildings and the rules relating to Administrative Accounts of Irrigation, Navigation, Embankment and Drainage Works, Electricity Projects and Multipurpose River Projects.

With the publication of the Central Public Works Account Code in 1943 the Public Works Account Code got entirely superseded. The Central Public Works Account Code has been entrusted to the Accountant General, Central Revenues who is responsible for obtaining the approval of the authority concerned to each correction to this code and to the Book of Forms which incorporates the forms in the Public Works Account (PWA) series, as embodied in the Account Code, Volume III, modified, where necessary, to suit local conditions. As the rules relating to initial and complied accounts in this code reproduce or are based on the directions given by the Auditor General, with the approval of the Governor General (now President), as embodied in the Account Code, Volume III, they can be amended or revised only by or with the approval of the Auditor General. The First Edition of the Central Public Works Account Code ran into four reprints up to 1962. The Second Edition was issued in 1965. In this edition the rules were revised mainly on the basis of the decisions of the Government of India on the recommendations of the working group for the simplification of that code set up by the Committee on Administration, Organisation and Methods Division of the Department of Administrative Reforms, Ministry of Home Affairs, Government of India.

There are separate Account Codes for the State Public Works Departments.

(I) Forest Codes

The history of Forest Accounts and Audit has been given in Chapter III. It has been stated therein that formerly Forest expenditure was audited by Controllers of Public Works Account, that from the 1st May, 1866 Forest Accounts were brought under the Civil Accounts Department, that from the 1st April, 1877 the final audit of Forest expenditures was entrusted to the Comptroller General except in Madras and Bombay and that from the 1st April, 1905 the final audit was decentralised and entrusted to the respective Accountant General.

In 1895, the Comptroller and Auditor General brought out an office Manual of the Forest Accounts branch. The manual laid down the procedure to be followed in the audit and examination of the Forest Accounts in

accordance with the instructions in the Forest and Civil Account Codes. This became obsolete in 1905 on the decentralisation of Forest Audit. The Forest Code published by the Government of India contained the financial powers of various Forest officers and also the rules for the classification of Forest revenue and expenditure and some of those relating to budget procedure. The procedure to be followed by Forest Officers in dealing with Treasuries was given in the Civil Account Code (Chapter 23). In 1915, the initial accounts to be maintained by the Divisional Forest Officers and their subordinates and the accounts to be rendered by Divisional Forest Officers to the Accountant General were detailed in a new Chapter 23A in the Civil Account Code.

In 1921, the Forest Account Code, First Edition, was issued. It superseded Chapter 23A of the Civil Account Code, Volume I and Appendix X to the Forest Department Code relating to classification of Forest revenue and expenditure. This Code was reprinted in 1931 and was finally superseded partly when the new Account Code in four volumes was published in 1939 and wholly when the Central Government Compilation of Treasury Rules was published by the Government of India in 1941. A section of the Comptroller and Auditor General's Manual of Standing Orders (Technical) covers Forest Audit.

CHAPTER XXI

ADMINISTRATIVE AND FINANCIAL POWERS OF THE COMPTROLLER AND AUDITOR GENERAL

Introductory

The growth in the independence and status of the Comptroller and Auditor General has been traced in some detail in Chapter II. An independent audit is an essential prerequisite for the successful working of Parliamentary democracy. The independence of the Comptroller and Auditor General personally has been secured by the Constitution in many ways. The Comptroller and Auditor General conducts his audit with the assistance of a huge department comprising about 42,000 persons and for the efficiency of audit and its performance without fear or favour it is obvious not only should the Auditor General be independent of the Executive but also his entire staff on whom he relies for the proper discharge of his audit responsibilities. In other words he should have the fullest measure of control over his staff who should be insulated as completely as possible from the influence of or control by the Executive.

Administrative Powers

Position prior to 1921

Prior to 1921, the Secretary of State had reserved to himself the following powers in regard to the Indian Finance Department : (1) To sanction all additions to the cadre or changes in the time scale or graded pay; (2) To recruit a portion of the officers in England; (3) To sanction the rules under which officers were obtained in India for the Department; and (4) To dismiss any officer of the Department or discharge on pension an officer on account of inefficiency.

The powers reserved by the Government of India were : (1) Admission of officers in India as probationers in the Department; (2) Declaration that a probationer might be finally admitted into the Department; (3) Promotion of officers within the cadre; (4) Stoppage of an officer's increment within the time scale; (5) Suspension or any other form of punishment of officers; (6) Postings of officers to certain specified appointments and grant of leave

to officers holding such appointments; and (7) Sanction of pensions admissible under the Civil Service Regulations.

As regards the rest of the Department, *i.e.*, Assistant Accounts Officers and below, the control of the Secretary of State was restricted to schemes of re-organisation involving an additional expenditure of Rs. 50,000 a year or more. The other restriction on the powers of the Government of India was that permanent appointments on pay exceeding Rs. 800 required the sanction of the Secretary of State but as the limit was not reached in the Indian Audit Department this condition was practically inoperative. All the other powers vested in the Government of India but the Comptroller and Auditor General had been given the powers of Head of a Department under the Government of India. Apart from powers relating to sanction to fresh expenditure, the control of the establishment in matters such as promotions, transfers, leave, pension, etc., was exercised entirely by the Comptroller and Auditor General, and in respect of clerical and inferior (as then called) staff by the Accountants General under him.

Under the Montford Reforms

When the question of the independence of the Auditor General was taken up under the Montford Reforms the Auditor General recommended that the control of the Government of India over the Indian Finance Department (as the Indian Audit and Accounts Service was then called) should be abolished and that the Government's powers should be vested in the Comptroller and Auditor General. He submitted a memorandum dated the 20th December, 1918 to the Committee on Division of Functions in which he stated as follows :

> "It is of utmost importance that an Audit officer should be in as independent a position as possible. There cannot be complete independence of audit in India so long as the Accountants General who are responsible for initial audit are directly subordinate to the Government of India, seeing that some orders, which they have to apply in audit, are orders issued by the Secretary of State, defining and limiting the powers of the Government of India. It is no answer to this argument to say that the supreme audit authority is vested in the Auditor General, because the Accountant General is responsible for framing his own conclusions as to the sanction required for any item of expenditure, and the intervention of the Auditor General is secured only by way of appeal against his decision."

Explaining later in greater detail the changes recommended by him, he made

it clear that the appointment by the Government of India of a portion of the Officer's Cadre (now Class I) did not constitute any infringement on the independence of Audit and that initial appointments of officers of the Indian Finance Department might continue to be made by the Secretary of State and the Government of India. But once these appointments were made, it should be open to the Auditor General to make promotions within the cadre, transfer and post the officers as he chose, and sanction to them leave and pension under the rules. It should be open to him also to stop the increment of an officer just in the same way as he would have the power to stop his promotion. The power of dismissing an officer or discharging him on pension on account of inefficiency should remain in the hands of the Secretary of State.

The following rule was then suggested regarding the administration of the Indian Audit Department but could not be accepted in full :

"(*a*) The Comptroller and Auditor General may transfer, promote, or suspend or otherwise punish any officer or other person subordinate to him, and may grant him any leave or pension that may be admissible to him under the rules of the Civil Service Regulations.

(*b*) The Comptroller and Auditor General may appoint, or remove any person, not being an officer, subordinate to him;

(*c*) The Comptroller and Auditor General may issue orders prescribing the powers of any authority subordinate to him to recruit, transfer, promote, suspend, remove or otherwise punish any person, not being an officer, subordinate to that authority, or to grant him any leave or pension which may be admissible to him under the rules of the Civil Service Regulations;

Provided—

(*i*) that no officer appointed by the Secretary of State shall be removed from the Service or granted a reduced pension except under the orders of the Secretary of State;

(*ii*) that no person may be punished under these powers until after the officer awarding the punishment has followed the procedure, if any, prescribed for the investigation of similar charges against other Government servants;

(*iii*) that any person punished under these powers has the same right of appeal as he would have if he were employed in an office or a Department subordinate to the Government of India in the Finance Department;

(*iv*) That no order can be issued which removes persons serving in any branch of the Audit Department in India from the operation of

the Government Servants' Conduct Rules."

Rules 28 to 31 of the Auditor General's Rules framed by the Secretary of State in Council under Section 96D(1) of the Government of India Act, 1919 laid down the Administrative powers of the Auditor General as follows:[1]

28. The Auditor General may—

(*i*) in the case of officers of the Indian Audit Department of any class lower than Class I, transfer, suspend or degrade any such officer, withhold from him any increment or increments of pay, and grant him any leave that may be admissible under rule, and may delegate to any officer of the Indian Audit Department the power of granting such leave;

(*ii*) in the case of officers in Class I of the Indian Audit Department, grant any such officer any leave that may be admissible under rule, and, subject to the control of the Governor General in Council, transfer any such officer.

29. The Auditor General may sanction the grant to any officer of the Indian Audit Department of such pension as is admissible under Section 96B of the Act and the rules in force thereunder.

30. The Auditor General may dismiss from service any officer of the Indian Audit Department other than an officer appointed thereto by the Secretary of State in Council or the Governor General in Council.

31. Nothing in this Part shall be deemed to affect any right of appeal which any officer of the Indian Audit Department may possess under the Act or rules made thereunder or under any general or special orders of the Secretary of State in Council or the Governor General in Council."

There was reluctance to confer on the Auditor General greater powers than eventually included in the Auditor General's rules in respect of the Indian Audit and Accounts Service as it was thought that there would be some hesitation on the part of First Class Officers in entering the Department if it was divorced from the Government of India in the Finance Department and that this would tend to injure rather than improve the position of the Audit Department as a whole. Secondly, accounts having been kept in the hands of the Audit Department, the Heads of Provinces could not absolutely be debarred from criticising a Principal Auditor in regard to his attitude in matters affecting accounts and it would not be in the fitness of things that the former's voice should be represented to any authority other than the Government of India, which in turn should be empowered to take action on

[1] Government of India, Finance Department Notification No. D 1943-A, dated the 19th August, 1926.

such representation. Further fourteen selected officers of the Indian Audit Department were consulted for eliciting their personal opinions and it appeared therefrom that a number of them held the view that administration of the Service by an impersonal body like the Government of India was preferable to a one-man rule. They also thought that the right of appeal was not an adequate substitute for initial control, for it might *inter alia* involve the question of undermining the prestige of the Auditor General and thus become illusory.

The relevant rules in the Auditor General's rules were amended from time to time to give him wider powers. In 1932, the Comptroller and Auditor General was given[2] powers to transfer and grant leave to officers in Class I and Accountants General. This was followed[3] in 1933 by grant of powers to censure officers below Class I and to recover from their pay the whole or any part of any pecuniary loss caused by them to Government by negligence or breach of orders. The next amendment empowered the Auditor General to exercise the powers of a Local Government under the Government Servants' Conduct Rules in respect of all officers under his administrative control.

The amendment that followed[4] in 1935 enlarged the scope of the powers of the Auditor General to cover also officers in Class I of the Indian Audit and Accounts Service and in the grade of Accountants General. Till then the Auditor General had to obtain the orders of the Government of India on proposals relating to:

(1) Promotions to Class I of the Indian Audit and Accounts Service to the grade of Accountant General, Class II, and to the grade of Accountant General, Class I; and
(2) Declarations that particular officers of the Indian Audit Department were permanently unfit for promotion.

Under the Government of India Act, 1935

The Government of India pointed out to the Secretary of State that neither the Finance Member nor the Finance Secretary had ordinarily sufficient experience of the work of the officers concerned to enable them to

[2] Government of India, Finance Department Notification No. F-19-XXV/Ex. I/32, dated the 6th October, 1932.

[3] Government of India, Finance Department Endorsement No. F-19-XIII/Ex. I/33, dated the 21st March, 1933.

[4] Government of India, Finance Department Notification No. F-25 (1)-Ex. I Ex. I/35, dated the 21st March, 1935.

override the Auditor General's recommendation in such cases. Moreover, it seemed definitely undesirable that promotions and declaration that an officer was unfit for promotion should continue to be made under the orders of the Finance Member, since in such cases there was a right of appeal to the Governor General in Council and under the existing arrangement that appeal was in fact an appeal to the Finance Member from an order passed by the Finance Member. It was preferable that the Auditor General should have power to pass orders in such cases, and that the officers under him should be safeguarded against possible favouritism by the right of appeal to an authority which had not already passed the order against which the appeal was made and was not, therefore, predisposed in favour of its maintenance. It was not, however, proposed that the Auditor General should be given power to order the removal or dismissal of an officer of the Indian Audit and Accounts Service. Such cases were to continue to be referred to the Government of India, since they were the appointing authority and in any case it was necessary to consult the Public Service Commission. The Secretary of State approved the necessary amendments to the Rules. At the same time the Auditor General was also empowered to delegate to any officer of the Indian Audit Department the power of granting leave that might be admissible under rules in the case of officers of any grade lower than Class I.

The amended rule read as follows:

"Subject to the provisions of the Government of India Act, 1935, and of the rules framed thereunder in respect of officers appointed by the Secretary of State, the Auditor General may:

(*i*) in the case of officers of the Indian Audit Department below the rank of the Deputy Auditor General of India, transfer, censure, suspend or degrade any such officer, withhold from him any increment or increments of pay, recover from his pay the whole or part of any pecuniary loss caused by him to Government by negligence or breach of orders, promote him to any grade or post in the Indian Audit Department below the rank of the Deputy Auditor General of India or declare him to be permanently unfit for promotion, grant him any leave that may be admissible under rule, and exercise the powers of a Provincial Government under the Government Servants' Conduct Rules.

(*ii*) in the case of officers of the Indian Audit Department of any grade lower than Class I, delegate to any officer of the Indian Audit Department the power of granting any leave that may be admissible under rule."

Since then the post of Deputy Auditor General which is the topmost in the

Indian Audit and Accounts Service is the only post to which promotions are made by the Government of India. All the other promotions in the service are made by the Comptroller and Auditor General himself.

When the Orders in Council under the Government of India Act, 1935, were drafted, it was decided that the Auditor General should exercise administrative powers over his department by delegation and that his authority in this regard should not be based on an Order in Council which should deal with "powers in relation to the accounts of the Federation". The same line of argument was extended to financial powers also.

These administrative powers continued under the Government of India Act, 1935 as Rules made under the previous Act continued in force until other provisions were made under appropriate provisions of the new Act (Section 276).

With effect from the 1st April, 1937, the Governor General in Council authorised[5] the Auditor General to delegate to any of his subordinate authorities to such extent as he considered necessary, any of the administrative powers exercised by him under Rules 28-30 of the Auditor General's Rules, subject to the condition that the prior consent of the Governor General in Council was obtained in each case.

Since the Constitution, 1950

Under Art. 148(5) of the Constitution 1950, the administrative powers of the Comptroller and Auditor General are to be prescribed by rules made by the President after consultation with the Comptroller and Auditor General. Till such rules are framed earlier rules with necessary adaptations continue in force under Arts. 313 and 372. Thus the administrative powers are "subject to the provisions of the Constitution and of Law made by Parliament". All initial appointments to the Indian Audit and Accounts Service are made by the President and removal or dismissal from the service has to be approved by him. In all other matters such as promotion, transfer, leave, pension, etc., including other punishments except in regard to the Deputy Comptroller and Auditor General, the Comptroller and Auditor General exercises full administration powers.

Art. 146 of the Constitution and the Supreme Court (Conditions of Service of Staff) Rules, 1961, made thereunder by the Chief Justice of India with the approval of the President provide for more complete administrative control by the Chief Justice over his staff than what the Comptroller and

[5] Government of India, Finance Department No. 1559—Rep./37, dated the 26th April, 1937.

Auditor General exercises over the Indian Audit and Accounts Service. The observations made by Dr. Ambedkar in the Constituent Assembly on the 30th May, 1949, comparing the provisions of Art. 146 relating to the powers of the Supreme Court over its staff with Art. 148 relating to the Comptroller and Auditor General *vis-a-vis* his staff have been quoted in Chapter II but will bear repetition here. Keeping in view the Chief Justice's power to make appointments and rules relating to condition of service of his staff, and the absence of such a power to the Comptroller and Auditor General, he said:

> "The absence of such a power means that the staff of the Auditor General shall be appointed by the Executive. Being appointed by the Executive, the Staff shall be subject to the Executive for disciplinary action. I have not the slightest doubt in my mind that if an officer does not possess the power of disciplinary control over his immediate subordinates, his administration is going to be thoroughly demoralised. From that point of view, I should have thought that it would have been proper in the interests of the people that such a power should have been given to the Auditor General. But, sentiment seems to be opposed to investing the Auditor General with such a power. For the moment, I feel that nothing more can be done than to remain content with the sentiment such as it is today. This is my general view."

Delegations under Service Rules

In addition to the powers conferred by the Auditor General's Rules as amended from time to time and continued in force even after the expiry of the Government of India Act, 1919, the Comptroller and Auditor General has been given large delegations under the services Rules, *viz.*, the Fundamental Rules, the Supplementary Rules and the Civil Services Regulations, in addition to powers exercisable by Heads of Departments and appointing authorities in general under them. Some of these powers put him on par with the Ministries or Departments of the Government of India. Thus the Comptroller and Auditor General had full powers to suspend a lien or transfer a lien of any one belonging to his Department; powers up to Rs. 1,000 in each case to sanction the undertaking of work for which an honorarium is offered and the grant or acceptance of the honorarium, full powers to sanction retention in service of officers of Class II of the Indian Audit and Accounts Service, Assistant Accounts and Audit Officers subject to report to the Government of India when such retention is after 60 years of age, etc., full power to grant special disability leave, power to grant study leave subject to the conditions specified in the Study Leave Rules, full power to

sanction transfer to foreign service subject, however, to certain limits in regard to pay to be drawn and other concessions in foreign service and power to decide the date of reversion on return after leave from foreign service. The delegations under other rules and regulations are too numerous and detailed to be gone into here.

Financial Powers

Prior to the Montford Reforms

It has been described in Chapter II how in 1914 the status, salary and independence of the Comptroller and Auditor General were raised by executive orders of the Secretary of State. In 1918, enhanced financial powers were granted[6] to the Comptroller and Auditor General. For both permanent and temporary establishments he was given the powers of a minor Local Government. His powers to depute officers in India were made the same as his powers to create temporary appointments. His powers regarding expenditure on contingencies and to sanction reappropriations of budget grants were also enhanced. The position in these respects on the eve of the Montford Reforms was as follows:

(1) Where the additional cost involved could be met by permanent savings in the department the Comptroller and Auditor General could (*a*) create individual appointments the pay and allowances of which did not exceed Rs. 500 a month, or make an addition to the pay and allowances of an appointment or an officer, if such addition did not have the effect of raising the total pay and allowances of the appointment or officer to an amount in excess of Rs. 500 a month; and (*b*) sanction the revision of establishments subject to the provision of the preceding sub-clause and to the condition that no class or grade of officers could be dealt with as a whole.

(2) When the additional cost could not be met by permanent saving but could be met by reappropriation from budget grants at his disposal, he could (*a*) create individual non-gazetted appointments the pay and allowances of which did not exceed Rs. 50 a month or make additions to the pay and allowances of a non-gazetted appointment or officer, subjects to the same limit; (*b*) sanction the revision of non-gazetted establishments subject to the limit in the preceding sub-clause and to the conditions (*i*) that the additional expenditure involved did not exceed Rs. 3,000 a year; and (*ii*) no class or grade of officers was dealt with as a whole.

[6] Government of India, Finance Department No. 1021-FE, dated the 10th August, 1918.

(3) The Comptroller and Auditor General could sanction the creation of temporary appointments and the deputation of officers in India on special duty : (*a*) For any specified period if the pay and allowances of the appointment did not exceed Rs. 250 a month; and (*b*) For not more than six months if the pay and allowances of the appointment or of the officer exceeded Rs. 250 a month but did not exceed Rs. 1500 a month.

The Comptroller and Auditor General could (1) allow the pay of certain classes of menials to be treated as contingent expenditure; (2) sanction recurring contingent expenditure up to Rs. 200 in each case; (3) sanction the purchase of books required for the department; (4) sanction the purchase of liveries at rates not exceeding those sanctioned for the offices of the locality by the Local Government concerned; (5) sanction the local purchase of stationery up to Rs. 20 in each case; (6) sanction under certain conditions the purchase in India of European stores up to Rs. 250 in each case; (7) sanction telephone rates for connections of Government offices with existing telephone system whatever the amount; (8) sanction the rent of office building up to Rs. 100 a month when the accommodation was provided in a separate building and up to one half of the total rent subject to a maximum of Rs. 45 when the accommodation was provided in a building partly used as a private residence; (9) sanction the purchase of typewriters subject to certain conditions; and (10) accord administrative sanction to expenditure on original works connected with the buildings in which the Account offices were situated up to Rs. 2,500 in each case.

After the Montford Reforms

The Auditor General pleaded in 1919 for more powers and framed proposal on the recognition that while the Government of India must have ultimate control over the expenditure and should not be called upon to meet sudden demands for funds, the Comptroller and Auditor General should be given full discretion in the detailed administration of the funds.

Rule 26 of the Auditor General's Rules lay down that "the Auditor General shall exercise no power of incurring expenditure without previous sanction other than such powers as may be delegated to him by the Governor General in Council". "Rules defining the Financial Powers of the Auditor General" were issued by the Government of India, Finance Department which gave enhanced powers to him as compared to those in force prior to the Reforms.

The Auditor General was empowered to create or abolish a permanent post on maximum pay not exceeding Rs. 800 (this was later increased to

Rs. 850 when the maximum of the time-scale of Assistant Accounts Officers was raised to that figure) provided that no class or grade of Government servants could be created or abolished if the maximum pay exceeded Rs. 100. The Auditor General could also increase or reduce the pay of a permanent post of an officer in permanent employ subject to the same maximum limit. He was further empowered to create temporary posts on pay not exceeding Rs. 2,500 for any specified period if the pay did not exceed Rs. 800 (later increased to Rs. 850) and for not more than two years if it exceeded that amount. He could also increase or reduce the pay of a temporary post within the same limits.

The Auditor General could revise the permanent pay of an establishment within the limit of Rs. 800 (later increased to Rs. 850) and if the additional expenditure involved did not exceed Rs. 2,500 a year.

Subject to the provisions of the Civil Account Code and orders issued from time to time by Government, the Auditor General was given powers to sanction all contingent expenditure and purchase of articles for the public service. As regards miscellaneous expenditure, he could sanction recurring expenditure up to Rs. 200 a year and non-recurring up to Rs. 1,000 on any object for which no scale or limit to his power of sanction was prescribed in any Act, Rule, Code, or Order, on condition that the sanction did not involve an express contravention of an existing rule or order of Government and expenditure was within the powers of Government.

All sanctions to any given expenditure became operative only when funds were appropriated to meet it.

The Auditor General could sanction the write off of losses of cash due to robbery, accident, embezzlement and similar causes up to a limit of Rs. 5000 in each case.

Out of the supply allotted in primary units of appropriation for the Audit Department, the Auditor had full power to appropriate sums to meet expenditure falling under that unit under "votable" or "nonvotable" as the case may be. He could also sanction reappropriation from one primary unit to another keeping the distinction between "voted" and "nonvoted" but the previous consent of the Finance Department was to be taken to any reappropriation: (*a*) to meet any expenditure other than contingent expenditure which was likely to involve further outlay in a future financial year; (*b*) from the unit "Pay of Officers" to any other unit.

In 1930, the Auditor General was empowered to create temporary posts of Assistant Accounts Officers in any office in which there was a temporary shortage of officers of the Indian Audit and Accounts Service for a period exceeding fifteen days.

To the powers as above were added the following:

The Auditor General could sanction non-recurring grants-in-aid to athletic or recreation clubs, etc., composed of subordinate staff under his control up to Rs. 1000 in any individual case and subject to budget provision.

The Auditor General could also sanction purchase of Accounting machines without any monetary limit.

He could accord administrative approval to works relating to non-residential buildings the cost of which did not exceed Rs. 5000.

The Civil Pensions (Commutation) Rules empowered him to sanction commutations in those cases in which he could sanction the grant of pension and the pension was not divisible with Local Governments.

Under the Government of India Act, 1935

These financial powers continued in force under Section 276 of the Government of India Act, 1935.

Since 1950

In 1950, the first Indian Auditor General of Independent India urged that his functional independence could be set at naught if he had continuously to sit at the door step of the Finance Ministry. He proposed that he should be delegated the following powers in amplification of the existing powers detailed in the preceding paragraphs.

Creation or Abolition of posts:

Gazetted posts.

(*a*) Class I Service Posts:

(*i*) Permanent .. Nil

(*ii*) Temporary .. Power to create temporary posts for any specified period not exceeding two years.

NOTE: The Comptroller and Auditor General will have full powers to redistribute sanctioned posts amongst the officers under his control.

(*b*) Class II Service Posts.

(*i*) Permanent .. Full powers.

(*ii*) Temporary .. Full powers.

Contingent and Miscellaneous Expenditure

Same powers as for a Chief Commissioner, subject to appropriation provided, that:

(1) In the case of hiring accommodation for office purposes, the scale of accommodation and the rate of rent shall have been concurred in by (*a*) the local CPWD authority; and (*b*) the Collector of the District (or other local authority) prescribed by the State Government for the purposes of the State Government concerned.

(2) In the case of furniture it is subject to the scales prescribed for the various grades of staff.

Works

Administrative Approval ..	Full powers.
Grants-in-aid (Donations to organisations for the benefit of staff.)	
Recurring grants ..	Subject to any general scale prescribed by Government..Full powers.
Nonrecurring special grants	Up to a maximum of Rs. 1000 for any one institution in any year..Full powers.

The then Finance Minister, Dr. John Matthai appreciated the difficulties of the Comptroller and Auditor General who had to discharge great responsibilities under very trying conditions brought about by the Second World War, Partition of the Country, Integration of Princely States and expansion of Government activities consequent on the adoption of the policies of a welfare state. The proposals were approved by the Government of India, in May 1950.[7] The power to create posts is subject to the following conditions:

(1) that the post is created on a rate or scale of pay which has been approved by President for a post of the same character in the Department;

(2) that in creating the posts all instructions issued by competent authorities regulating staff composition and work standards are strictly followed; and

(3) that funds are available by valid appropriation or reappropriation.

There have been further delegations since 1950. In 1953, the Comptroller and Auditor General was given[8] power to sanction local purchase of stationery stores up to Rs. 1000 per annum for each of the officers under his control. In 1959, in the wake of the general policy for greater decentralisation of powers that led to the issue of the Delegation of Financial Powers Rules, 1958,

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[7] Government of India, Ministry of Finance No. 973-A-SEA-50, dated the 6th May, 1950 and No. F. 15(2) Adosm A/So, dated the 24th July, 1950.

[8] Government of India, Ministry of Finance No. F—16 (9)-A (A)/53, dated the 10th March, 1953.

this limit was increased[9] to Rs. 5000 per annum, but with the concurrence of the Controller of Printing and Stationery he could exercise full powers. Other delegations gave him full powers for expenditure on foundation stone laying ceremonies and opening of public building of the Department, and full powers for expenditure for grants-in-aid for staff welfare subject to the conditions laid down in the delegation of Financial Powers Rules and any directions issued by Government from time to time. He was given same powers for "Petty works and repairs" chargeable to contingencies as given to the Ministries to the Government of India. He could write off (*i*) losses of stores and public money due to theft, fraud, negligence, etc., up to Rs. 10,000 otherwise Rs. 25,000 for stores only; (*ii*) losses of revenue and irrecoverable advances up to Rs. 10,000 in each case; and (*iii*) deficiency and depreciation up to Rs. 10,000. The same year he was given[10] full powers to sanction, investigation of time barred claims of all types as were capable of investigation by the Audit Officer from his records. In 1961, he was given powers to waive recovery from persons serving in the Department of an amount found to have been overpaid to them except (*i*) where the recovery related to a Gazetted Officer, (*ii*) where the amount involved did not exceed two months' pay of the employee concerned.

There are several delegations under the General Financial Rules in matters like sanction to grant to officers of various kinds of advances, exempting in certain circumstances persons handling cash from furnishing security, etc.

The purpose in going into some detail in this Chapter in regard to the growth of the administrative and financial powers of the Comptroller and Auditor is to show that consistently with the growth in the status and independence of the Comptroller and Auditor General the need to give him as large a freedom as possible to administer his department without constant references to the executive and any consequential embarrassment has been appreciated by the executive and as stated in Chapter II this understanding is a healthy feature in the growth of Indian democracy.

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[9] Government of India, Ministry of Finance No. 20 (9)-E-G. I/59, dated the 28th September, 1959.

[10] Government of India, Ministry of Finance No. F. 20(12) EGI/59, dated the 14th December, 1959 and No. 20 (9)-EGI/61, dated the 17th October, 1961.

PART V

Audit in other Countries

CHAPTER XXII

AUDIT IN OTHER COUNTRIES

Types of Organisations

Audit organisations in the world fall broadly into four categories. They may be merely departments forming part of, or attached or subordinate to, the Ministry of Finance, but independent of other Ministries. They may take the form of Court of Accounts or Court of Audit or Tribunal. They may be Audit Boards or may be monocratic under a single individual called the Comptroller General or Comptroller and Auditor General or Auditor General. Even within these categories there may be differences in detail in keeping with the political systems and ideologies prevalent in the Country.

Some examples of every one of these categories are dealt with in the same order.

Executive Type

(1) *U.S.S.R.*

The Ministries of the USSR fall into two types: All Union Ministries and Union-Republic Ministries. The former direct the branch of State administration entrusted to them throughout the territory of the USSR either directly or through bodies appointed by them. The Union-Republic Ministries, as a rule, direct the branches of State administration entrusted to them through corresponding Ministries of the Union-Republic. They administer directly only a definite and limited number of enterprises according to a list confirmed by the President of the Supreme Soviet of the USSR. The Ministry of Finance is an All Union Ministry. The Ministry of State Control is a Union-Republic Ministry. The Ministry of Finance has Cotroller-Inspectors who conduct investigations on the spot of Government Departments or enterprises and have free access to all financial and other documents. They draw up reports, obtain explanations from the agency investigated and send them to the Ministry for further action. Violations of the law or of the budget may result in punitive action. The Ministry of State Control has right of access to all administrative records. It has its Controllers installed in agencies directly subordinate to the All Union Government and Chief

Controllers in the Ministries of State Control in the Republics are appointed in consultation with the Ministry of State Control of the USSR. It may on its own conduct administrative audits. It may also utilise the results of audit by the Ministry of Finance and conduct further investigations on their basis, issue directives to agencies, order remedial measures, take disciplinary action or launch criminal prosecution. The Ministry of Finance and Ministry of State Control work closely and between them try to ensure financial and administrative rectitude.

(2) *Yugoslavia*

One of the characteristics of Yugoslav Administration is said to be strict application of decentralisation in nearly all departments of administration. Districts and Municipalities have considerable resources at their disposal in their budgets and other funds. In conformity with the decentralisation of Government control, there are different Inspectorates of Finance at Federal State and District levels to control the execution of the budget. The Federal Inspector General of Finance is appointed by the Federal Executive Council and the State and District Inspectors of Finance by the State and District bodies respectively. The Federal Inspectorate may issue directives to the lower Inspectorates regarding the work and specific matters and intervene in matters within the competence of State or District Inspectorates if they do not clear the matter or take more than the required time. The State Inspectorate may do likewise in regard to the District Inspectorate. If irregularities are discovered by the Inspectors they may order corrective action including recovery of moneys incorrectly paid and issue provisional instructions on protective measures to be taken in case of the possibility of material damages. In cases of a criminal nature the Inspectors inform the competent authorities to launch prosecution. If a State body or institution or the employee responsible wants to appeal to the Secretary of State for Finance or the Budget Commissioner of the Peoples Committee against a decision of the Inspector it/he should do so within eight days of receipt of it.

A special feature in this country is the part played by the National Bank in preventive control in the execution of the budget. Before making any payment the Bank confirms that the budget or other fund has adequate provision to meet the outlay. For this purpose each authority provides the Bank with the annual budget and quarterly schedules of allocation of the budget and of the funds. If the budget is exceeded or the funds are exhausted or if the payment is found to be in any way irregular the Bank will refuse to effect the payment. The Bank is empowered to temporarily suspend

payments which it considers illegal under immediate advice to the Secretary of State for Finance who should give his decision, within eight days. If the Bank's view is not agreed to or if a decision is not given within eight days the Bank effects payment and advises the competent higher authority.

(3) *Finland*

In Finland there are the "Control of the State Economy of Finland (State Audit office)" and the five State Auditors appointed by the Diet at every regular term. The former has a Director-in-Chief and Departmental Chiefs together constitute the Inspection Council. The State Auditors see to the observance of the Budget and the conduct and Administration of the Governmental fund, on the Diet's behalf. The usual audit work is the responsibility of the State Audit office, which is subordinate to the Ministry of Finance but is independent of the State Auditors. The auditing material and reports of the State Audit office are supplied automatically to the State Auditors and constitute the basis for their inspection work.

(4) *Switzerland*

Switzerland has no Audit office and the whole financial administration of the confederation is controlled by the "Controle Federal des finances" (Federal Public Finance Control). It corresponds with Ministries through the Head of the Finance and Customs Ministry but corresponds direct with the different departments of the Federal administration, *viz.*, the Federal Chancellery, the Federal Courts and the Chancelleries, divisions and administrations under the ministries of the government (Federal Council). It also corresponds direct with the Finance Delegation and Finance Committees of the Federal Houses and makes available to the latter a permanent Secretary as also the staff required for special inquiries. Divisions and offices which do not accept a decision of the controle des finances have a right of appeal to the Federal Council (Government).

Court Type

(1) *France*

An example of the Court of Audit type is found in the *Cour des comptes*, which is the supreme body of financial jurisprudence in France, and which

Sui Generis is an administrative court with the form of a judicial court. It holds in the sphere of financial administration the same high position and dignity which the Supreme Court holds in the sphere of justice. This is reflected in the warrant of precedence in which the First President, Court of Accounts, ranks immediately below the First President of the Supreme Court of Justice. The position of the Comptroller and Auditor General of India in the Warrant of Precedence in India has been referred to in Chapter II.

The Court is presided over by the First President. It is divided into five chambers, each with a President.

The members of the Cour rank as magistrate which makes them irremovable till their legal age of retirement (70). The magistrates conduct audit and assume responsibility for it. A magistrate who fails in his duties is liable to disciplinary action under a special procedure in which the court itself exercises the disciplinary powers. The several grades for the members of the Cour are:

(1) Auditor (who having graduated from the National School of Administration), goes through an apprenticeship before he is promoted as Councillor.

(2) Councillor refrendaire 1st and 2nd degree (who is a magistrate entrusted with examining of the account with vouchers, reporting on the results and drafting the judgments).

(3) Master Councillor.

The accounts of each administrative unit are sent by the accounting officials to the Public Accounts Department of the Ministry of Finance. That Ministry sends them on to the *cour des comptes* with all the supporting documents. The accounts are on receipt distributed to the five chambers. A *Parquet*, consisting of an Attorney General assisted by two Advocates General sees that the accounts are submitted to the Court regularly. For each account a rapporteur is appointed who is entitled to ask for any required information from the accounting official.

The rapporteur's findings are put up to senior Councillors who issue provisional verdicts on the accounts. Two months are allowed to the accounting official to clear up any of the matters objected to after which a final judgment is issued.

If the accounts are in order, the Court issues a discharge absolving the accounting official of any further liability. If the Account is declared to show a deficit it is for the Ministry of Finance to evaluate the responsibility of the accounting official.

The Court's judgment is appealable for annulment on a point of Law or review on a point of fact if new evidence can be produced.

The Court makes known its point of view to the executive authority through letters addressed by the First President to the Ministries concerned. It has also the permanent right to communicate with the Finance Committees of the Parliament. The decisions of the Court are collegial, binding the body as one entity. A magistrate in charge of an enquiry, whatever his rank or seniority, has full freedom of judgment and full responsibility for his reports.

The Court submits to the Head of State each year a public report dealing with the major irregularities and containing recommendations for reforms and improvements. Copies of the report are simultaneously placed before the Houses of Parliament. The reports with Ministerial replies are published in the official journal for the information of the Executive, the Legislature and also the nation as national public opinion is of great importance in a democracy.

A settlement bill in respect of each budget listing the actual revenue and expenditure, in the same order as in the Budget Act, and the balance is passed in Parliament for purpose of regularisation.

The scope of audit of the Court includes all corporations administering a compulsory social insurance scheme.

The arrangements for audit of public undertakings in France may be of special interest to India. A brief mention of this was made in Section (E) of Chapter XIV.

Due to the enormous growth of Public Sector Undertakings during and after the World War II, the Commission for Audit of Public Undertakings was constituted by an Act of the French Parliament in 1948. Its authority extends to all Government industrial and commercial undertakings, all nationalised undertakings and all joint stock companies of which more than half the issued capital is owned by the State but excludes nationalised Banks for which there is a separate Bank Control Commission. Though the correctness of the accounts is certified by the Chartered Accountants, it has been stated in the Explanatory Memorandum and in the additional documents for the execution of the Act that the Commission must go beyond mere checking of the rightness of accountancy and must check that the management is correct. One of the objects is to suggest improvements in the efficiency of the undertakings for which purpose the private Chartered Accountant is not considered equipped;

The Commission is divided into four Sections as shown below:

(1) Coal fields, Electricity, Gas;
(2) Air France, Railways and also Sea Companies dealing with Transport;

(3) Credit Insurance and Information; and
(4) Chemical and Mechanical Industries.

The personnel of the Commission is chosen mainly from the Members belonging to the Court of Audit, to ensure independence. Its Chairman is the President of one of the Chambers of the Audit Court and each of its sections includes Counsellors of the Court. Representatives of the Ministry of Finance, Ministry of Economic Affairs and various tutelary Ministries who have experience in public undertakings are also taken in the Commission. One important feature is that persons like Engineers with technical qualifications chosen from the various administrative departments are also associated with the Commission. These technical persons are not taken from the private field mainly because of financial considerations and also to avoid taking persons from firms which are in competition with the public undertakings.

In the case of audit of Railways, there is a Commission in which there are a representative of the Ministry of Finance who mainly audits the Balance Sheets, a representative from the Engineers specialised in Transport, the Inspector of Finances and a Civil Servant from the Ministry of Economic Affairs specialised on staff questions.

The vouchers are kept in the custody of the Undertakings and only the Balance Sheet and the report of the management are received in the Commission. Generally, the Calendar year is observed as accounting year. The audit is taken up only *ex-post facto* and there is no system of Concurrent Audit in vogue. The younger members of the Commission visit the Corporations for conducting the audit. They have to be shown any documents desired and have also power to ask any question. While the big undertakings are audited once a year, the smaller ones are taken up for audit once in a few years. As the Commission's scrutiny is to go beyond the accounts, they are entitled to study thoroughly the decisions of the Board of Directors. They try to avoid technical observations as such and the coments are offered mainly having financial and economic implications. The Commission can make suggestions regarding administrative matters. While the Commission has no judicial power, it has large powers in accounting, management and administrative questions. No information can be denied to the Commission on the ground of secrecy or security. Even in the case of audit of Atomic Energy Corporation, the powers of the Commission to discuss secret matters and also to call for technical information are not fettered. While these cannot be discussed in the normal sitting of the Commission, the President constitutes a smaller Working Group consisting of 4 persons who can call for all confidential information concerned with

Defence. The Report, which is prepared secretly is sent only to the Prime Minister, the Minister for Finance, the Tutelary Minister and the Administrator of the Atomic Energy Corporation.

In the case of other Undertakings, after the Preliminary comments have been framed, they are discussed in a meeting of the Audit Commission with representatives of the Corporations, concerned, Ministry and Finance Ministry. These meetings in which high officials of the Undertakings including Directors attend, are very important and give the representatives an opportunity to explain their point of view. The results of the audit are then compiled in the form of Audit Report, which falls under two categories:

(1) Individual Reports on each Corporation, which are treated as secret, are sent to the concerned Minister, Ministry of Finance and the Undertaking concerned. These Reports are not submitted to Parliament. The Presidents of the Lower and the Upper Chambers are furnished with lists of such Reports from which they can select some Reports to be seen by them. They keep the Reports confidential, since it may contain analysis of Cost Accountants, etc., which, if published, would benefit the private competing undertakings. Suggestions contained in this individual Report are left to the Ministry to be pursued.

(2) A general Report of all the Corporations is published biennially which is submitted to the President and the Parliament. In this Report managerial mistakes and other deficiencies which are not considered confidential are published. Generally the results of operations and reasons for losses are also analysed in this report. These published reports have greater effect in getting the recommendations implemented, since the comments get considerable publicity in the Press.

(2) *Netherlands*

A General Auditing Court is provided for in the terms of the Constitution of Netherlands. It consists of three members who are appointed for life, till they reach the legal age of retirement (70). They can be dismissed or retired by decision of the Supreme Court of Judicature in cases of impeachment, misconduct or incurable illness. They are invariably experienced and senior civil servants and are selected by the King from a panel of three names for each vacancy recommended by the Second Chamber of the States-General One of the members is appointed its Chairman by the King. There are in addition two acting members who are called upon to deputise for members temporarily absent. A Secretary for the Court is appointed by the King from a panel of three names recommended by the Court.

A characteristic feature in this country is a strong internal and executive audit separately under the administrative Ministry and the Ministry of Finance apart from the audit on behalf of the Parliament by the Court. Further the entire financial administration is apportioned among the fiscal officers. The General Auditing Court, therefore, co-ordinates its audit with the internal and executive audit and exercises considerable jurisdiction over fiscal officers on whom it can impose a fine if they do not fulfill their obligations to the court. It participates in the drawing up of the lower auditors' audit programme, test-checks that this is being properly adhered to and examine their reports. Thus it is able to apply itself independently to efficiency audit as an integral part of its task. The Court audits both revenue and expenditure. For the former also the Ministry of Finance has its own continuous executive audit. The audit of expenditure is generally *post facto* except when a Minister in any case requests the Court's opinion before signing a request for payment and in the case of *ex gratia* compensations. The following duties regarding efficiency control, which is a striking feature in the country's audit system, are laid down by law for the General Audit Court :

"Article 60

Para 1 : The General Auditing Court is in duty bound to supply the Ministers with all suggestions and information which could in its opinion lead to the reduction of Government expenditure and to the augmenting of Government revenue and to the improvement or simplification of the Government financial administration.

Para 2: It is its duty to inform the Ministers of all criticisms and objections regarding revenue and expenditure which it may judge to be in the interests of the Government Treasury.

Para 3: It is authorized to impart to the Minister of Finance and to the States-General such information as it regards necessary in the interests of the Government and to consult further with these bodies in these matters.

Article 64

Para 1: It is to investigate as far as possible whether government property which is capable of bearing a yield is sufficiently productive and whether the provisions pertaining to this are being properly complied with.

Para 2: The results of its inquiry into this matter must be mentioned in its annual report."

If expenditures are approved, the Court informs the Minister accordingly. If there are objections the Minister is given three months to clear them.

This period can be extended twice by the Court after which it gives its final verdict. If the Court persists in its objection, either recovery is made or the Minister has within three months of the final verdict to get an indemnity bill passed in Parliament.

The fiscal year is the calendar year. The accounts are kept open for a year after the end of the fiscal year to which they relate. During this period and for two months thereafter with the approval of the General Auditing Court payments may be charged to the Budget appropriation of the fiscal year that has already ended.

After the Court has approved the general account, it is submitted to the King. Thereafter a bill is introduced in Parliament to enact the balances, supported by the audited accounts and a survey by the Ministry of Finance of the results of the Financial Administration during the relevant fiscal year.

The annual reports of the General Auditing Court and all governmental accounting documents are transmitted to the Committee on Governmental Expenditure, which consists of seven members of the Second Chamber and serves to inform the Chamber concerning the expenditure of the funds granted in the National Budget. This Committee reports on them to the Second Chamber.

The scope of audit of the Court includes certain Trust funds and special funds outside the budget but falling within the activities of Government.

Government Enterprises also fall within the scope of the Court's audit. Their accounts are appended to the general account.

(3) *Belgium*

Art. 116 of the Constitution of Belgium provides for the *Cour des Comptes*. The members of the Court are appointed by the House of Representatives, to keep them free from the direct or indirect influence of the executive. The term of office of members is limited to six years "to avoid having to maintain in office men who had really given cause for complaint". Members may not be related by blood or marriage, even four times removed nor when they are first nominated, may they be related to a Minister by blood or marriage, even four times removed. Though in Belgium the internal regulations of each jurisdiction are laid down by Royal decree, the Court has been given the right to draw up its internal regulations and submit them to Parliament for approval. It appoints and dismisses its employees itself, to ensure its having a trustworthy staff. It fixes their remuneration, with a right to the House of Representatives to verify the scale of remuneration. The appropriations allotted to the Court are shown in the Endowments

Budget which groups services of which the subjects or activity are outside governmental function like Civil List and Houses of Parliament. In certain cases expenditures are subject to *a priori* control of the Court. The Court can determine the responsibility of a Public Accountant in the event of a shortage and sentence him to repayment of the shortage and also decide the sums to be recovered from Accounting Executives. It can fine public accountants for late rendering of accounts. The judgments are final and enforceable in the same way as those of Courts and tribunals by the use of coercive force if necessary. It acts as a supreme authority in the matter of examination, liquidation and closing of accounts. The Court judges the facts and legality of operations but not their morality and expediency. It acts outside the judicial power. It is treated as an auxiliary body of the Legislature. It passes the general account of the year and submits it to Parliament with its observations. Its report includes a summary of the disagreements between it and the Ministries, decisions and judgments given by it since the last report, payments authorised by the Cabinet in excess of appropriation or against the Court's views and the Court's general conclusions as a result of its audit.

(4) *Italy*

In Italy the Court goes, by the name "Corte dei conti". The President, Chamber Presidents, Attorney General and Councellors are appointed by decree issued by the Head of the State on the proposal of the Prime Minister. Removal, dismissal or retirement of their officers are decided by decree of the Head of the State on the unanimous advice of a Committee consisting of the Chairman and Vice-Chairman of the Senate and House of Representatives. In addition to usual audit functions related to Government spending and to the audit report to Parliament, a special feature of the functions of the Court in Italy is that, Government services may not carry out commitments without first having them registered by the Court. For a commitment considered illegal by it, Government may assume corporate responsibility. In such cases of "reserved registration" the Court informs the Parliament. The Court must approve of all Governmental decrees before they go into force. In France this duty is performed by the Council of State.

(5) *West Germany*

In the Federal Republic of Germany the Audit Office (Rechnungshof) is charged by Art. 114 of the Basic Law, 1949 with the duty of auditing the

annual statement of all revenues and expenditures as well as assets and liabilities which the Federal Minister of Finance is required to present to the Bundersrtag and Bundosrat. The same Article states that the members of the Audit office shall possess judicial independence. The auditing of accounts is regulated by Federal Law. An act on the establishment and activities of the Federal Audit Office (Court of Audit) was passed on the 27th November, 1950, and took effect from the 1st April, 1950.

The Federal Audit Office is the supreme examining authority on the Federal Organs and Administration, is independent of the Executive, is subject only to the Law and not subject to any instructions whatsoever from other sources. It is charged with the duty of supervising the administration of the budget and financial management of all branches of the Federal Administration. Its competence extends also to quarters not forming part of Federal Administration but are instrumental in carrying into effect part of the Federal budget or receive Federal moneys for particular purposes or administer Federal property or Federal funds.

The Federal Audit Office also audits the budgetary and domestic accounts of special funds of the Federal Railways. Audit is conducted as directed jointly by the Federal Minister of Finance, the Federal Minister of Transport and Communications and the President of the Federal Audit Office.

The Federal Audit Office further audits the budgetary and domestic accounts of the carriers of the national insurance where and when these receive grants from official funds, as well as of the unemployment insurance, and the unemployed benefit. The Laender (States) have their Supreme Audit authorities and the Federal Audit Office and they do joint auditing in certain cases. They can also by agreement commission each other with examining authority or supervisory tasks. There is a United Senate consisting of members of the Federal Audit Office and the Supreme Audit authorities of the Laender. The United Senate decides matters of principle arising n the conduct of activities relating to joint auditing or commissionering each other and gives expert opinion on auditing questions of a principle nature. The members of the United Senate are :

(1) The President, the Vice President, the Directors and the permanent member dealing with budgetary questions;
(2) The President or Head of the Supreme Audit Authorities of the Laender;
(3) The officer in charge as reporter;
(4) One co-reporter appointed by the Chairman; and
(5) As many members of the Federal Audit Office, appointed by the President of the Federal Audit Office, as are required to achieve parity

vis-a-vis the number of Audit officers of the Laender.

The Federal Audit Office is required to inform the administration of the result of its audits and to report annually to Parliament through the Federal Ministry of Finance. The scope of its audit extends beyond the regularity of transactions to their propriety and economy. It has, however, no executive or judicial power to determine with binding effect the amounts of deficits and the responsibility of civil servants as can be done in some other countries.

The President and Vice-President of the Federal Audit Office are appointed by the Federal President by and with the advice of the Government. All other members of the Federal Audit Office are appointed on the advice of the President of the Federal Audit Office. Disciplinary control over the personnel of the Federal Audit Office is exercised by the President of the Federal Audit Office who is himself not subject to any disciplinary control by the Executive Government. Its budget is a separate unit within the Federal Budget. If the Federal Minister of Finance decides to cut the figures proposed by the Federal Audit Office he is obliged to inform the Federal Government accordingly.

The members of the Federal Audit Office enjoying judicial independence are the President, the Vice President, the Directors and the Ministerial rate (Deputy Secretaries). They alone are empowered to take joint decisions in accordance with the Budget Law. They are appointed for life. Their transfer to any other office, retirement, removal from office (termination of services, and/or disciplinary actions are governed by the same regulations as are valid for judges of the Supreme Federal Court.

The independence of the Audit offices of the German Laender and the members of such offices is safeguarded more or less to the same extent.

(6) *Austria*

The principal legislative provisions relating to the Audit office in Austria (Rechnungshof) are contained in the Federal Constitutional Act of the 16th June, 1948. The organisation and functions of the Court of Audit are dealt with in the Court of Audit Law of the same date.

The Court of Audit was founded in 1761 as a Supreme Audit Institution independent of the administration and subordinate only to the Crown. Since the establishment of the Republic in 1918 the Court of Audit has been an organ of Parliament independent of the Government. The Provinces, large municipalities, the Social Insurance Institutions and the State Enterprises are within its scope of audit. The Austrian Audit office is composed

of a President, Vice President and lower officials. The President is elected by the National Assembly on the nomination of its First Committee. No time limit is specified for his term of appointment. The National Assembly can also terminate his appointment for any reason. Vacation of office takes place otherwise, as a result of death a verdict of the Constitutional Court requiring forfeiture of office, or resignation. All decisions in the Court of Audit are the prerogative of the President alone. The President of the Republic appoints officials in the three higher ranks and the President of the Audit office appoints the lower officials. Relations between Federal Parliament and the Audit office are closer than those of the Provincial Parliaments with it. The Provincial Parliaments have no influence over the Audit office or in the appointment or termination of appointment of its President.

The Court of Audit is directly answerable to the Nationalrat (Parliament). As regards the financial administration of the Federation (Bund) it functions as the organ of the Nationalrat; as regards the financial administration of the provinces, municipal corporations and municipalities it functions as the organ of the Landtag (Provincial Assembly) concerned, of which there are nine. The Court of Audit has no function as a Court of Law and there are no officials with judicial powers employed in it. The Federal and Provincial Governments may ask the Audit office to undertake any special audits and the Audit office is bound to comply. The National Assembly also can ask the Audit office to undertake special audits in the Federal Financial field but the provincial Parliaments cannot so require of the Audit office. The Audit office has to take the Federal Government's orders regarding the size of its staff. It submits its budget to the Federal Government. It reports on the results of its audit to the Federal and Provincial Governments. One peculiar feature is that if there is a dispute between the Audit office and the Federal or Provincial Governments concerning the competence of the Audit office any one of these may take the matter to the Constitution Court. That Court delivers its judgment in private session. Another noticeable feature is that the Audit office submits its reports direct to the Federal or Provincial Parliament, at the same time bringing them to the attention of Government which may formulate its observations thereon. The Court of Audit has not the right to issue binding instructions for the remedy of the shortcomings detected by it, or for enforcing disciplinary action. The responsibility rests with the administration to take action or not but the ultimate decision is with Parliament. All the documents relating to money debts of the Federation must be countersigned by the President of the Court of Audit. This guarantees the legality of the borrowing.

As regards state participated economic enterprises the position of the

Court of Audit is as follows: In the case of the Federation state financial participation covers trust administration of Federal property, the assumption of a profit and loss guarantee for an enterprise, the grant of loan from public money for the running of an enterprise or the allocation of a subsidy from public funds for the same purposes. They all come under the Court's audit. This right to audit includes subsidiary companies in which the parent enterprise participates. In the case of enterprises in which a province or large Municipality has an interest, the Court of Audit's jurisdiction is automatic only if all the financial shares are owned by a public body.

(7) *Some other Countries*

Spain has its "Tribunal de Quentas" as also some of the Latin American Countries, *viz.*, Argentina, Brazil, Cuba, Guatamala, Hondoras, the Dominican Republic, El Salvador, Nicaragua and Uruguay. It is difficult to deal within the limited scope of this chapter with the details about the organisation and functioning of all these Tribunals. In Argentina three Chief Auditors compose the Tribunal. There are Associate Auditors and Secretaries.

In Brazil the members of the Court are appointed by the President with the consent of the Senate.

A special feature in the organisation of the Tribunal in Cuba is of interest. The Plenary Assembly of the Supreme Court appoints the President and Secretary who should be degree holders. The President of the Republic appoints a lawyer and an Accountant. Another Accountant is appointed by the University Board. The Senate appoints a lawyer and public accountant. Their term of office is eight years and they cannot be removed from office except by the Tribunal of Social and Constitutional Guarantees.

In Nicaragua the Court of Accounts plays a part in budgeting. The Budget Estimates are submitted to the Court for its opinion and any change suggested by it must be brought to the notice of Government by the Minister for Finance.

In Gautamala there are five members on the Tribunal, on a four-year term. Their prerogatives and guarantees resemble those of Supreme Court judges. The Tribunal gives its opinion as to whether decrees authorising expenditure or raising of revenue are *intra vires* of the Constitution and the Laws. If the Executive issues a decree of insistence, the Tribunal accepts the Government's decision.

In El Salvador the Court of Appeal consists of a President and two judges elected for three years. There are several Chambers of First instance.

The judges are appointed by the First Chamber.

In Uruguay there are seven members on the Court with the same qualifications as senators. They are appointed by the Congress by a two thirds vote of the entire membership.

Apart from the duties of auditing and reporting the results thereof, one duty generally common to these tribunals is to receive statements under oath of citizens appointed to public office in respect of their private incomes.

Some Asian countries have also adopted the Court type. In Syria the Audit Department is given judicial power upon the Public Accountants and its budget forms a division of the Parliament's budget. The members are elected by Parliament from a list that includes twice the required number. There is a President, Vice President and the Financial Attorney General.

Afghanistan's Court of Accounts established in 1954 has a First President who is the head of the organisation, an Attorney General appointed by the Ministry of Finance, a legal adviser, a Secretariat General, three Chambers each comprising a President and three members, Comptrollers formed into groups of three persons each to audit the accounts and a General Directorate of Centralisation. Appeals by Accountants for revision or annulment go to the General Assembly comprising at least twelve persons including the Presidents of the three Chambers, a number of Comptrollers, the Legal Adviser and the Attorney General. The sentence of the Assembly is final and exclusive of any form of appeal.

Audit Board Type

(1) *Japan*

The Constitution of Japan (Art. 90) provides for a Board of Audit (Kaikei-Kensain) for Japan. Its constitution and competency are regulated by the Board of Audit Law (No. 73 of 1947 as amended from time to time). There are three Auditors. The Auditors are appointed, with the consent of the Diet by the Cabinet, for a term of seven years with privilege of reappointment for one additional term and are subject to retirement upon attainment of the age of sixty five years. If during the tenure of an Auditor a vacancy occurs, the successor holds office for the remaining term of the predecessor. An Auditor is retired by a resolution of the Diet when, in the collegiate judgment of other Auditors, the Auditor is incapacitated to perform his duties due to mental or corporal injury, or is guilty of malfeasance in office. An Auditor forfeits his office, when he is condemned to a penalty heavier than confinement by the criminal court. The President

of the Board of Audit is nominated by the Cabinet as elected by the mutual vote of the Auditors. The Emperor attests the appointment and dismissal of Auditors. The Board is independent of the Executive. Its budget goes to the Cabinet Secretary and in case the estimated expenditures of the Board of Audit are cut down by the Cabinet, the estimates sent in from the Board have also to be given in the national budget in detail together with the sources of revenue which may become necessary in case the expenditure of the Board is to be increased by the Diet. Upon this the Diet may revive the initial estimates by its decision even though cut down by the Cabinet.

There is a Council of Auditors consisting of the three Auditors and the General Executive Bureau. The same person is the Chairman of the Council and the President of the Board of Audit. The Council decides the following matters:

(1) Enactment, revision or abolition of the Board of Audit Regulations.
(2) The Report of Audit which is submitted to the Diet through the Cabinet.
(3) Decision of such matters and organisations as are subject to audit at the discretion of the Board of Audit or at the request of Cabinet.
(4) Matters relating to verification of accounts where the Board of Audit may require other documents in place of the usual statement of accounts with proving vouchers.
(5) Matters concerning demands for disciplinary action, etc.
(6) Decision and redecision of responsibility of fiscal officers in regard to losses of money or goods.
(7) Settlement of claims which the Board of Audit considers it necessary to settle in correction of any illegality or impropriety relating to accounts.
(8) Indication of opinions or demand of disposal of cases where it is deemed by the Board of Audit necessary to improve laws, ordinances, systems, or administration.

The General Executive Bureau is in charge of audit and general affairs and business pertaining thereto. It has a Secretariat and five bureaus. Each bureau has its Director. There is a Secretary General, Deputy Secretary General, Confidential Secretaries, Technical Officials and other necessary staff in the General Executive Bureau. Officials of the General Executive Bureau are appointed, dismissed, etc., by the President of the Board in accordance with the decision of the Council of Auditors.

The Board of Audit, according to results of audit, certifies the correctness of accounts. Audit is continuous and current. Besides State revenues

and expenditures, receipts and disbursements of cash money and Government properties which are owned by the State, cash money, precious metals and securities received by the Bank of Japan on behalf of the State, the accounts of juridical persons of which 50 per cent or more of capital is invested by the State, all come within the scope of Audit by the Board. In addition accounts may by Law be specially subject to the Audit by the Board. The Board of Audit may also audit if it deems necessary or at the request of the Cabinet such accounts as follows:

(1) Goods and securities which are owned or taken custody of by the State, and cash money taken custody of by the State.

(2) Such accounts of receipts and disbursements of cash money, goods, or securities as are handled, on behalf of the State, and Public Corporations by bodies other than the State and Public Corporations.

(3) The accounts of such bodies as are granted subsidies, bounties or such financial assistance as loan or indemnity of loss and so on, directly or indirectly by the State or the Public Corporation.

(4) The accounts of such bodies as are partially invested by the State.

(5) The accounts of such bodies as are invested by such bodies as are invested by the State or the Public Corporation.

(6) The accounts of such bodies as are granted guaranty on payment of the principal or interest by the State or the Public Corporation.

(7) Accounts of contractors with the State or the Public Corporation on construction, or of suppliers of goods to the State or the Public Corporation.

The Board of Audit may demand disciplinary action against delinquent officials and decide the liability of accounting officials for losses and damages caused by lack of due diligence and only the Diet can remit or reduce the liability so fixed. The Board of Audit gives its opinions to Government in cases relating to the establishment, amendment or abolition of Laws or Ordinances concerning accounting of the State or of regulations concerning the receipt and disbursement of moneys, goods and securities, and the book-keeping thereof.

The provisions regarding audit of Public Corporations in Japan may be compared with the provisions in India as given in Chapter XIV-E. In India Public Financial Corporations and Banks are outside the audit control of the Comptroller and Auditor General and among other Corporations the Life Insurance Corporation and the Food Corporation have been kept out of his audit. Under the Japanese Law as stated earlier the accounts of any juridical person of whose capital the State share is fifty per cent or

more automatically comes under the audit of the Board of Audit. Even in regard to Government companies, the Companies Act, 1956 defines Government company as any company in which not less than fifty-one per cent of the share capitals held by Government whereas in Japan investment of fifty per cent or more of the capital by Government attracts audit by the Board of Audit. The provision that where State investment is only partial the Board of audit may Audit the accounts of such bodies goes further than any Indian legislation.

(2) *Some other Countries*

The Republic of Korea has also a Board of Audit, Thailand has an Audit Council under the Audit Council Act of B.E. 2476 (AD-1933) comprising the President, Secretary General, who also acts as Vice President and members of the Audit Council. The President of the Audit Council is a servant of the Crown but independent of the executive. He is Appointed by the Crown through the previous advice of the Executive Council of Ministers with the consent and approval of the Legislative Assembly. The President of the Audit Council is responsible for the audit of appropriation Accounts, Consolidated Fund accounts, the accounts of all Commercial and Industrial Enterprises and undertakings, of any manufacturing, trading or commercial services carried on by the various departments and various other accounts the audit of which by the President of the Council is prescribed by special statute or requested by the Prime Minister. The President of the Audit Council has the privilege of special access to private, confidential or several expenditures of an important nature relating to national security. He brings to notice in his audit report all matters which in his judgment should be brought to the notice of the Assembly including cases of irregular or improper expenditure, and waste of public funds.

MONOCRATIC TYPE

Under the monocratic type the Audit office is under a single head and all audit is done on his behalf or in his name. The Commonwealth Audit offices are of this type, though designations of the Chief Audit Authority may differ. Thus there are (*a*) Comptroller and Auditors General in India, Kenya, Pakistan, New Zealand, Tanzania, United Kingdom and Uganda, (*b*) Auditors General in Australia, Canada, Ceylon, Cyprus, Gambia, Ghana, Jamaica, Federation of Malavi, Malaysia, Trinidad and Tobago,

Zambia, and East African Common Services Organisation, and (*c*) Director of Audit or Federal Audit, Malta, Nigeria, Siera Leone, Singapore. Some of the Latin American countries have also their Contraloria General. Israel has got its State Comptroller.

Some Commonwealth Countries

(1) *United Kingdom*

India has drawn heavily on the British experience and the British model has been referred to at various places when describing the historical background in regard to the Comptroller and Auditor General's independence of the executive and his functions relating to audit of receipts and expenditure, as also stock and store accounts and reporting the results thereof and control over exchequer issues. It is needless to repeat them in this chapter. One point of interest not dealt with earlier is that there is no tenure or age limit for retirement for the Comptroller and Auditor General in the United Kingdom. Another point that is important is that in the United Kingdom the Comptroller and Auditor General is an officer of Parliament while in India he is an officer of the Constitution.

(2) *Canada*

Part VII of the Financial Administration Act of 1951 deals with the Auditor General of Canada and his functions and powers. The Auditor General of Canada is appointed by the Governor General. He holds office during good behaviour until he attains the age of 65 years but he may be removed by the Governor General on an address of the Senate and the House of Commons. An acting Auditor General may hold office during the temporary vacancy in the office of the Auditor General.

The Auditor General audits the accounts of the Consolidated Revenue Fund of Canada, both the receipts and the expenditures, and scrutinises transactions with respect to their legality and propriety. He also audits accounts relating to public property.

In carrying out his duties the Auditor General is entitled to free access to all files and records relating to accounts kept in a department. He may also call for reports and explanation from the members of the Public service. The Auditor General can station his officer in any department so as to enable him to carry out his duties more effectively. The department is under an obligation to provide the necessary accommodation to the

officers.

The results of the Auditor General's scrutiny are reported to the House of Commons. Among other things his reports deal with money belonging to Canada but wilfully or negligently omitted to be collected, and moneys collected but not paid into the Consolidated Revenue Fund. Appropriations in excess of the grants made by Parliament, and cases where there has been fraud, default, or mistake, are all specially brought out.

The reports are presented to the Finance Minister who must table them before the House by the 31st December of the year or, if Parliament is not in session then, within 15 days of the commencement of the next session. If he fails to do so the Auditor General may on his own transmit the report to the Speaker for tabling in the House of Commons.

Government enterprises in Canada are organised as Crown Corporations. The Corporations are ultimately accountable for their operations to Parliament through their Ministers. Crown Corporations are classified as Departmental Corporations or Propriety Corporations, but the arrangements for audit in all cases are the same.

Auditors of the Corporation are usually appointed under the Act by which the Corporation comes into existence or under the Companies Act. If nothing is stated in the Act then the Governor in Council appoints the Auditor. The Auditor General can also be appointed as an Auditor or a Joint Auditor. In fact with a few exceptions the accounts of Public Corporations are audited by the Auditor General. A commercial type of audit is applied and accurate accounts are kept; a 90 days period after the end of the Corporation's fiscal year is specified for certification of the accounts and presentation of the report of the Auditor General to Parliament. The Minister of Finance generally tables the reports; otherwise the Auditor General may ask the Speaker to lay the reports on the table. All reports are referred to the Public Accounts Committee. Only Public Corporations created under the Companies Act can declare a dividend.

Government audit in Canada is modelled by and large on the same pattern as in India since they are both derived from Great Britain, but there are some differences.

The retirement of the Auditor General of Canada is determined by an age limit only and not by tenure as in India. The Auditor General of Canada can examine any person on Oath including those not in Government employment so long as the person is concerned with some financial transactions or accounts audited by him. In such a case the Auditor General exercises the powers of a Commissioner under Part I of the Inquiries Act of Canada. No such power has been given in India.

(3) *Australia*

The Audit Act, 1901-1950 regulates the appointment, functions and power of the Auditor General of Australia. The Auditor General for the Commonwealth of Australia is appointed by the Governor General. His office is a branch of the Prime Minister's Department. He cannot hold other offices while he is employed as Auditor General. He is debarred from being a member of either House of Parliament or of any State, or of being a member of the Executive Council of the Commonwealth or of any State.

He must not engage in paid employment outside the duties of his office, or become insolvent or bankrupt. If he absents himself for fourteen consecutive days or for any period of twenty eight days in any twelve months without being granted leave by the Governor General his office automatically falls vacant. He may resign his post by writing under his hand addressed to the Governor General.

The Auditor General retires upon attaining the age of 65 years. He holds office during good behaviour and cannot be removed from office unless an address is presented to the Governor General by the Senate and the House of Representatives respectively in the same session of Parliament. The Governor General can suspend the Auditor General for incapacity, imcompetence or misbehaviour but the suspension must be confirmed by the Parliament within seven days if it is in session, or within seven days after the first day of commencement of the next session. For this purpose, the Governor General must lay before Parliament the grounds for suspending the Auditor General. In the absence of confirmation by Parliament the Auditor General is automatically restored to office within forty-two days after the Governor General lays the statement before the House. The Auditor General, therefore, maintains his office at the will of Parliament.

The Audit Act also contains provisions for having an acting Auditor General during the illness, incapacity or suspension of the Auditor General. The acting Auditor General exercises all the powers and performs all the duties of the regular officer, and is paid the same remuneration.

The Auditor General examines the receipts of all the departments as well as their expenditure. He also audits the stores accounts kept in departments.

The Auditor General has .the right to appoint persons to inspect and conduct the audit under the Audit Act. He may even authorise persons not necessarily belonging to his department to work on his behalf. Generally he discharges his responsibilities through several Chief Auditors who carry out the necessary audit and inspection.

The Auditor General can by precept under his hand require such persons as he thinks fit to appear personally before him at a time and place named in the precept and to produce such account books, vouchers and documents with them as he may require. He can also cause a search to be made in and extracts to be taken from any book, documents or record in the custody of the Treasurer or in any public office without paying any fee.

The Auditor General can consult the Attorney General on any question concerning the powers of the Auditor General or the discharge of his duties by laying before him a case in writing. The Attorney General is bound to give him a written opinion on such case. The Auditor General is required to annex or append to his Audit Report a copy of every case or statement of facts laid by him before the Attorney General together with a copy of opinion given thereon. In India such opinions can be obtained only by going through the Government of India, Ministry of Law.

The Auditor General makes queries from and observations on the departments. They must return his memos within fourteen days with their explanations. The Auditor General has the power to surcharge administrative officers if they have wilfully or negligently omitted to collect any dues receivable by the state, have failed to credit collected amounts into the public account or have incurred any expenditure that is not duly authorised, vouched or certified. This provision is mandatory. Deficiency or loss of money, stores or other property can also be surcharged. A surcharge notice is sent to the person concerned. He has two remedies, either to go to a court of law or to appeal to the Governor General within three months. Otherwise the surcharge is collected by the Treasurer. The Auditor General reports on unsatisfied surcharges.

The Auditor General communicates with the Treasurer upon all matters concerning the collection, receipt, issue and expenditure of public moneys. He also reports to the Treasurer the name of any officers or persons who fail to comply with the provision of the Audit Act. The Audit Reports are made over to the Treasurer who lays them before Parliament.

There are several important features of the Australian system not found in India. The Australian Auditor General functions as a Comptroller General and also countersigns the instruments (warrants) by which money is withdrawn from the Commonwealth Public Account. He has statutory powers for receipt and stores audit whereas in India the position till recently has been that such audit can only be taken up with the approval of or if required by the executive government. This is still the *de facto* position though the view has now been taken that under Art. 151 of the Constitution he has to report to Parliament/State Legislature on the totality of accounts

and no portion thereof can be outside his audit jurisdiction. Most important of all the Audit Act itself lays down the period of fourteen days in which the departments must reply to audit observations. This power goes a long way to settle audit objections quickly and not leave them mounting year by year as in India. And finally the Auditor General can, if need be, settle an objection by surcharging it.

Some Other Countries

(1) *United States of America*

The audit of government account is done by the Comptroller General of the United States who holds office for a fifteen-year term. He is appointed by the President with the advice and consent of the Senate. He is not eligible for reappointment and can only be removed by a joint resolution of Congress after notice and hearing. The removal must be for cause such as permanent incapacitation, inefficiency, negligence of duties, malfeasance, felony or conduct involving moral turpitude. He is retired from office when he attains the age of seventy years.

The Comptroller General is the head of the General Accounting Office. All claims and demands against the Government of the United States and all accounts in which the Government is either a debtor or a creditor are to be settled by the General Accounting Office. He carries out a test-audit of all the transactions occurring from the public funds. The work of the disbursing officers and the certifying officers is scrutinised by him. Amounts, paid by the disbursing officers must be supported by all proper documents and should not exceed the appropriation involved. Vouchers and other documents must show to his satisfaction that the certifying officers are faithfully carrying out their duties, observing all the required legal procedures, and that certification is made against transactions that have in fact taken place. The Comptroller General's test-audit is based on the confidence he places on the administrative examination of the accounts and expenditure.

The Comptroller General settles as many as 25,000 accounts each year. An amount is not entered into the general accounts until he feels satisfied of its correctness. The spending officer may have to make good money held to be spent objectionably. In practice a degree of safety is provided by bonding disbursing officers. The departments have also referred doubtful points to the Comptroller General for several decades now for advance decisions. The queries are of broad scope and general effect and help the agencies to protect themselves against misunderstanding the somewhat

complicated requirements of audit. The procedure of asking for advance decisions can enable an aggressive Comptroller General to pass on many administrative matters as happened in the early thirties.

The rulings of the Attorney General do not bind the Comptroller General as the latter can interpret all statutes affecting expenditure.

The Comptroller General looks into the adequacy of internal check arrangements in the agencies, and can in fact investigate into any matter concerning the receipt, disbursement, or application of public funds. He can make in his annual report any recommendation to increase the efficiency of the public expenditure. The departments are under an obligation to furnish him all information regarding their powers, activities, organisation, financial transactions and the like so that the Comptroller General can discharge his duties adequately. He also has the custody of the original documents and vouchers which he examines. Carbon or photostat copies may be kept in the departments, but originals must be sent to him for audit.

The Comptroller General has duties with respect to the accounts as well. He lays down the form of accounts, and may determine accounting principles, to be followed and improvements to be made in the accounting system within the agencies. The General Accounting Office is organised to help him discharge both his accounting and audit duties satisfactorily. A Director of Audit supervises the planning of audit programme and an Accounting System Division is responsible for laying down accounting principles. The Comptroller General submits an annual report to Congress pointing out the important irregularities discovered by him. An Office of Investigations prepares these reports which may at times deal with special studies of administrative efficiency of departments.

The Annual accounts of the Government called the Combined Statement of Receipt, Expenditure and Balances of the United States is published by the Treasury and not the General Accounting Office. The post-audit continues even after the publication of the accounts and even payments shown in the published accounts may be disallowed.

The General Accounting Office, the Treasury and the Bureau of the Budget have undertaken a Joint Accounting Programme to improve the accounting system and financial reports of the Government and to bettter the audit checks exercised in scrutinising financial tansactions. The broad approach is to make audit independent of the executive while requiring the latter to participate in all possible ways in a proper development of the accounting system. Simplification of payments and receiving procedure, improvement of accounting and reporting systems, and the examination of the special accounting problems in the particular agencies have been

looked into. The Comptroller General administers the Joint Accounting Programme and takes initiative in matters connected with it.

The Government Corporation Control Act of 1945 introduced commercial type audit in the Public Enterprises. This audit includes looking into the assets and liabilities, an analysis of profits and losses as well as income and expenditure. A scrutiny may also be made over the application of funds. The Comptroller General reports into the overall financial condition of the Government Corporations. He does not have power to disallow any payments. All that he can do is to make a report. His powers in Corporation Audit are therefore very similar to those of the Comptroller and Auditor General of Great Britain or of India with regard to audit of regular Government expenditure.

The Comptroller General of the United States used to have the power of pre-auditing issues from the Treasury by his power of countersignature over covering warrants. He was a "Comptroller General of Exchequer Issues" in this respect like his counterpart in Great Britain. Since 1952 the warrants are issued by the Budget Bureau without the countersignature of the Comptroller General. Neither the Comptroller and Auditor General of India nor the Ministry of Finance controls exchequer issues though its introduction in India has been discussed several times.

The Comptroller General has more power to affect the conduct of the Government than the Comptroller and Auditor General of India. It stems from the basic power he has over settling the accounts. He can withhold any payment by refusing to certify the accounts connected with it.

The nature of the audit scrutiny carried out is similar to that in India. Payments are scrutinised from a legality and a propriety standpoint. The Comptroller General audits all receipts while in India only certain types of receipts are checked with the approval of, or if required by, the Executive Government.

While in India there is no provision for an acting Comptroller and Auditor General, the law in U.S.A. provides that during the absence or incapacity of the Comptroller General, or during a vacancy in that office, the Assistant Comptroller General shall act as Comptroller General.

In regard to audit of Public Enterprises his duties are more comprehensive than those of the Comptroller and Auditor General in India. (*Vide* Chapter XIV-E).

(2) *South Africa*

The Controller and Auditor General is appointed by the Governor

General and holds office during good behaviour. He can be removed by the Governor General on an address praying for his removal when presented by both Houses of Parliament. The Governor General can suspend the Controller and Auditor General on grounds of incapacity or misbehaviour provided Parliament is not in session. It is obligatory, however, for him to lay before both Houses of Parliament a full statement of the charges leading to the suspension. The statement must be made within 14 days of the opening of Parliament. The Parliament can then address the Governor General asking for the restoration of the Controller and Auditor General, who must then be allowed to go back to his office. If no such address is presented the Governor General can confirm the suspension and the post of the Controller and Auditor General thereafter becomes vacant. In India Parliament must impeach the Comptroller and Auditor General for his removal.

The Controller and Auditor General is not allowed to hold any other office of profit under the Crown.

The Controller and Auditor General must retire from office at the age of 60 years. If both Houses of Parliament resolve that he should be retained for a further prescribed period then the Controller and Auditor General may continue but he must finally demit office on becoming 65 years of age. The provision is not as rigid as the corresponding one in the Indian Constitution which requires the Comptroller and Auditor General to leave office once and for all after a six-year spell of office.

The Assistant Controller and Auditor General after due authorisation can do every thing that the Controller and Auditor General may do, but he cannot certify or report on the accounts for the House of Assembly, that is, the Lower House. An acting Controller and Auditor General can be appointed during periods of illness, suspension, or absence of the Controller and Auditor General. The acting officer can do every thing which the Controller and Auditor General may do. The only restriction on him is that he cannot stay in office beyond 12 months.

The Controller and Auditor General grants credits to the Treasury on the Exchequer Account in pursuance of Governor General's warrants.

The Comptroller and Auditor General audits the accounts of all administrative and accounting officers to see that receipt, custody, or issue, of public money, securities, or stores are carried out properly. He checks both the legality and propriety of transactions. With certain limitations he may accept a defective voucher of payment as satisfying his requirements.

The accounts are examined by the Controller and Auditor General not more than seven months after the close of the financial year. He gives his audit certificate and the report to the Finance Minister who then causes both these documents to be laid before the Houses of Parliament within seven days of their receipt. If Parliament is not in session, the documents must be placed before the Houses within seven days of the opening. The Controller and Auditor General can make a special report to the Minister for being laid before Parliament if circumstances justify such action. The Controller and Auditor General can transmit the reports direct to the President of the Senate and to the Speaker of the House of Assembly if the Finance Minister fails to present the report to the Houses of Parliament.

He has the power of requiring administrative officers to produce such books, vouchers and accounting documents as he may require for the proper exercise of his duties. He is entitled as in Canada to examine on oath any person connected with the receipt or expenditure of public money which it is his duty to audit.

The Controller and Auditor General can surcharge amounts improperly paid out of the public treasury. Amounts which administrative officers have failed to collect due to negligence or mistake can be surcharged as also improper payments, and deficiencies discovered in the accounts of stores and securities.

A person who has been surcharged may appeal to the Finance Minister or take his case to a court of competent jurisdiction within a period of one month after he has been informed in writing of the surcharge by the Controller and Auditor General. The court may either reduce the surcharge or set it aside altogether. It can also uphold the surcharge which must thereafter be collected.

The most important difference with the Indian system is the power of the Controller and Auditor General in South Africa to surcharge irregular expenditure or dues neglected to be collected. Provision for acting Auditor General is absent in India nor is there provision for examination on Oath of persons connected with the receipt and issue of money or issue of any stores nor for control over exchequer issues.

The Controller and Auditor General scrutinises whether the Government has borrowed any money in excess of its borrowing powers. If the Controller and Auditor General certifies that such is the case, it becomes unlawful for any bank or person to lend money to the Government. This is quite apart from the fact that it is illegal for the Treasury to borrow money in such cases.

(3) *Some Latin American Countries*

As stated earlier while some Latin American countries have adopted the Court type (Tribunal de cuentas) some have the Comptroller General (Contraloria General). Costa Rica, Colombia, Venezuela and Chile are examples of the latter type. Taking Chile for more detailed treatment here among those countries, the Comptroller General is appointed by the President of the Republic with the agreement of the Senate. Other employees of the Contraloria are appointed by the Comptroller General. The Comptroller and Sub-Comptroller can be removed from office by the President of the Republic provided a prior judicial decision has been made under the procedure relating to the Judges of the Supreme Court.

The Contraloria General is an autonomous agency charged with the duty of controlling and auditing the collection and expenditure of the Funds of the Fiscal authority, the Municipalities and other agencies as may be provided by Law. It holds the accounts of the Nation. The accounts of the National Congress are excepted from its audit which is conducted in accordance with the internal regulations of the Congress. The contraloria checks that decrees are not issued that exceed the limitations laid down in Art. 10 of the Constitution. The Comptroller General is empowered to spend up to 30 per cent of the amounts which are entered in a special account at the rate of 1 per cent to be deducted from the Central and Municipal taxes controlled and audited by it and from the sums collected annually from the semifiscal agencies, autonomous bodies and fiscal enterprises under its direct audit.

(4) *Israel*

The State Comptroller of Israel is appointed by the President of the State of Israel upon the recommendation of the House Committee of the Parliament (Knesset). The Knesset determines his salary and budget and through its Finance Committee keeps permanent contact with him. That Committee approves his budget, discusses and demands action on his reports, for which he is fully and solely responsible, and takes statements of opinions from him whenever it requires them. The Minister of Finance has no right of interference with the Comptroller's budget either at the stage of its examination and approval or at the stage of execution.

PART VI

Appendices

APPENDIX I

(*Referred to in Chapter II*)

LIST OF AUDITORS GENERAL OF INDIA

I. Hon. Sir Edmund Drummond (16-11-1860—31-3-1862).

(Officiating)

R. P. Harrison (10-9-1861—13-12-1861).

II. R. P. Harrison (1-4-1862—22-4-1867).

(Officiating)

J. I. Harvey (22-6-1862—30-4-1863), J. L. Lushington (1-5-1863—13-12-1863), E. F. Harrison (9-12-1865—7-2-1866), H. D. Sandeman (10-3-1867—9-4-1867).

III. E. F. Harrison (23-4-1867—31-10-1879).

(Officiating)

H. D. Sandeman (25-2-1871—7-9-1872, 7-11-1872—26-3-1873), H. A. Mangles (8-9-1872—6-11-1872, 27-3-1873—7-10-1873, 27-5-1874—8-12-1874), R. Taylor (4-9-1876—31-10-1876), W. Waterfield (15-3-1877—1-8-1878, 12-10-1878—19-8-1879), James Westland (2-8-1878—11-10-1878, 20-8-1879—31-10-1879).

IV. W. Waterfield (1-11-1879—4-9-1881).

(Officiating)

James Westland (20-4-1880—4-9-1881).

V. James Westland (5-9-1881—29-10-1889).

(Officiating)

E. F. T. Atkinson (29-3-1882—28-6-1882, 21-11-1883—21-1-1884, 21-4-1886—23-7-1886, 20-4-1887—3-8-1887, 21-10-1888—1-11-1888, 9-9-1889—29-9-1889), E. Gay (8-4-1885—20-4-1886, 24-7-1886—19-4-1887, 10-11-1887—20-10-1888, 2-11-1888—8-9-1889), E. W. Kellner (4-8-1887—8-8-1887), H. F. Clogstoun (9-8-1887—9-11-1887).

VI. E. Gay (30-10-1889—29-11-1891).

(Officiating)

S. Jacob (16-4-1890—29-11-1891).

VII. S. Jacob (30-11-1891—27-12-1898).

(Officiating)

R. Logan (20-4-1892—6-11-1892), H. G. Cowie (1-11-1893—30-11-1893), A. F. Cox (28-3-1894—5-4-1895, 3-10-1895—2-4-1897, 28-10-1898—27-12-1898), G. E. Manisty (15-9-1895—2-10-1895), O. T. Barrow (3-4-1897—8-11-1897, 26-4-1898—27-10-1898).

VIII. A. F. Cox (28-12-1898—29-9-1906).

(Officiating)

W. H. Michael (18-9-1901—16-10-1901, 20-9-1902—4-10-1902), O. T. Barrow (27-3-1903—10-4-1904, 22-8-1906—29-9-1906), J. C. E. Branson (30-3-1906—12-8-1906).

IX. O. T. Barrow (30-9-1906—30-6-1910).

(Officiating)

F. C. Harrison (25-9-1908—1-4-1909, 25-5-1909—30-6-1910), J. A. Robertson (2-4-1909—24-5-1909).

X. R. W. Gillan (1-7-1910—28-10-1914).

(Officiating)

M. F. Gauntlett (26-3-1912—28-10-1914).

XI. R. A. Gamble (29-10-1914—5-7-1918).

(Officiating)

M. F. Gauntlett (6-1-1918—5-7-1918).

XII. Sir Mager Frederic Gauntlett (6-7-1918—16-11-1929).

(Officiating)

D. Dewar (14-5-1920—31-7-1920, 27-10-1920—31-3-1921), (1-8-1920—26-10-1920), W. Alder (26-5-1922—3-12-1922), J. E. C. Jukes (9-6-1925—17-10-1925, 2-9-1926—2-10-1926).

XIII. Sir Ernest Burdon (17-11-1929—19-8-1940).

(Officiating) (Substitute)

G. Kaula (15-9-1930—16-1-1931), A. C. Badenoch (28-4-1933—15-11-1933, 5-7-1935—8-10-1935, 29-4-1938—23-10-1938).

XIV. Sir Alexander Cameron Badenoch (20-8-1940—10-4-1945).

(Substitute)

W. R. Tenant (29-8-1942—9-10-1942).

XV. Sir Bertie Monro Staig (11-4-1945—14-8-1948).

(Substitute)

W. R. Tenant (7-4-1947—22-6-1947).

XVI. V. Narahari Rao (15-8-1948—14-8-1954).

XVII. A. K. Chanda (15-8-1954—14-8-1960).

XVIII. A. K. Roy (15-8-1960—14-8-1966).

XIX. S. Ranganathan (15-8-1966—).

APPENDIX II

(Referred to in Chapter XIII)

MAJOR AND SUB-MAJOR HEADS OF ACCOUNTS IN THE REVENUE AND CAPITAL SECTIONS

I. Revenue Receipts

A. *Taxes, Duties and other Principal Heads of Revenue.*

I. Customs.
II. Union Excise Duties.
III. Corporation Tax.
IV. Taxes on Income other than Corporation Tax.
V. Estate Duty.
  A. Estate Duty on Agricultural Land.
  B. Estate Duty on property other than Agricultural Land.
VI. Taxes on Wealth.
VII. Expenditure Tax.
VIII. Gift Tax.
IX. Land Revenue.
X. State Excise Duties.
XI. Taxes on Vehicles.
XII. Sales Tax.
XIII. Other Taxes and Duties.
  A. Taxes on Luxuries including taxes on Entertainments, Amusements, Betting and Gambling.
  B. Electricity Duties.
  C. Tobacco Duties.
  D. Other Items.
XIV. Stamps.
  A. Non-Judicial.
  B. Judicial.
  C. General.
XV. Registration Fees.

B. *Debt Services.*

XVI. Interest.
  A. Interest from State and Union Territory Governments.
  B. Interest from Commercial Departments.
  C. Other Interest Receipts.

C. *Administrative Services.*

XVII. Administration of Justice.
XVIII. Jails.
XIX. Police.
XX. Supplies and Disposals.
XXI. Miscellaneous Departments.

D. *Social and Developmental Services.*

XXII. Education.
- A. University.
- B. Secondary.
- C. Primary.
- D. Special.
- E. Technical Education.
- F. General.

XXIII. Medical.
XXIV. Public Health.
XXV. Agriculture.
XXVI. Rural Development.
XXVII. Animal Husbandry.
XXVII-A. Dangs District.
XXVIII. Co-operation.
XXIX. Industries.
XXX. Broadcasting.
XXXI. Community Development Projects, National Extension Service and Local Development Works.
- A. Community Development Projects.
- B. National Extension Service.
- C. Local Development Works.
- D. General.

XXXII. Miscellaneous Social and Developmental Organisations.

E. *Multipurpose River Schemes, Irrigation and Electricity Schemes.*

XXXIII. Multipurpose River Schemes.

OTHER REVENUE RECEIPTS

XXXIV. Irrigation, Navigation, Embankment and Drainage Works (Commercial).
- A. Irrigation Works.
- B. Navigation, Embankment and Drainage Works.

XXXV. Irrigation, Navigation, Embankment and Drainage Works (Non-Commercial).
- A. Irrigation Works.
- B. Navigation, Embankment and Drainage Works.

XXXVI. Electricity Schemes.
- A. Hydro-Electric Schemes.

B. Thermo-Electric Schemes.

F. *Public Works (including Roads and Schemes of Miscellaneous Public Improvements).*

XXXVII. Public Works.
XXXVIII. Bombay Development Scheme.

G. *Transport and Communications (other than Roads).*

XXXIX. Ports and Pilotage.
XL. Mercantile Marine.
XLI. Lighthouses and Lightships.
XLII. Aviation.
XLIII. Road and Water Transport Schemes.
A. Road Transport.
B. Water Transport.
XLIV. Overseas Communications Service.

H. *Currency and Mint.*

XLV. Currency and Coinage.
XLVI. Mint.
XLVI-A. Kolar Gold Mines.

I. *Miscellaneous.*

XLVII. Transfer from Famine Relief Fund.
XLVIII. Contributions and Recoveries towards Pensions and other Retirement benefits.
XLIX. Stationery and Printing.
L. Opium.
LI. Forest.
LII. Miscellaneous.

J. *Contributions and Miscellaneous Adjustments.*

LIII. Contribution from Railways.
LIV. Contribution from Posts and Telegraphs.
LV. States' share of Union Excise Duties.
LVI. Grants-in-aid from Central Government.
A. Statutory Grants-in-aid.
B. Other Grants-in-aid.
LVII. Miscellaneous Adjustments between Central and State/Union Territory Governments.
LVIII. Dividends, etc., from Commercial and other undertakings.
LIX. Deleted.

K. *Extraordinary Items.*

LX. Extraordinary Receipts.
LXI. Pre-partition Receipts.

L. *Defence Services.*

LXII. Defence Services—Effective.
- 1. Army.
- 2. Navy.
- 3. Air Force.

LXIII. Defence Services—Non-effective.

M. *Railways.*

LXIV. Indian Railways—Commercial Lines.
- A. Revenue Receipts.
- B. Other Miscellaneous Receipts.

LXV. Indian Railways—Strategic Lines.
- A. Revenue Receipts.
- B. Other Miscellaneous Receipts.

LXVI. Subsidised Companies.
LXVII. Transfer from Railway Revenue Reserve Fund.

N. *Posts and Telegraphs.*

LXIX. Posts and Telegraphs.

II. Expenditure met from Revenue

A. *Collection of Taxes, Duties and Other Principal Revenues.*

1. Customs.
2. Union Excise Duties.
3. Corporation Tax.
4. Taxes on Income other than Corporation Tax.
5. Estate Duty.
6. Taxes on Wealth.
7. Expenditure Tax.
8. Gift Tax.
9. Land Revenue.
10. State Excise Duties.
11. Taxes on Vehicles.
12. Sales Tax.
13. Other Taxes and Duties.
14. Stamps.
    - A. Non-Judicial.
    - B. Judicial.

C. General
15. Registration Fees.

B. *Debt Services.*

16. Interest on Debt and other Obligations.
    A. Interest on Public Debt and other Obligations.
    B. Interest on Inter-Governmental Debt.
    C. Interest on Reserve Funds, etc.
17. Appropriation for Reduction or Avoidance of Debt.

C. *Administrative Services.*

18. Parliament and State/Union Territory Legislatures.
    A. Parliament.
    B. State/Union Territory Legislature.
    C. Elections.
    D. Miscellaneous.
19. General Administration.
    A. President, Vice-President, Heads of States/Union Territories, Cabinet and Ministers.
    B. Zonal Councils.
    C. Secretariat and attached offices.
    D. Commissioners.
    E. District Administrations.
    F. Works.
    G. Miscellaneous.
20. Audit.
21. Administration of Justice.
22. Jails.
23. Police.
24. External Affairs.
25. Supplies and Disposals.
26. Miscellaneous Departments.

D. *Social and Developmental Services.*

27. Scientific Departments.
28. Education.
    A. University.
    B. Secondary.
    C. Primary.
    D. Special.
    E. Technical Education.
    F. General.
29. Medical.
30. Public Health.
31. Agricultural.

32. Rural Development.
33. Animal Husbandry.
33-A. Dangs District.
34. Co-operation.
35. Industries.
36. Broadcasting.
37. Community Development Projects, National Extension Service and Local Development Works.
    - A. Community Development Projects.
    - B. National Extension Service.
    - C. Local Development Works.
    - D. General.
    - E. Pre-Extension Blocks on State Account.
38. Labour and Employment.
39. Miscellaneous Social and Developmental Organisations.

DD. *Capital Account of Social and Developmental Services within the Revenue Account.*

40. Capital Outlay on Industrial and Economic Development.
41. Capital Outlay on Broadcasting.

E. *Multipurpose River Schemes, Irrigation and Electricity Schemes.*

42. Multipurpose River Schemes.
    - A. Working Expenses.
    - B. Interest.
    - C. Other Revenue Expenditure.
43. Irrigation, Navigation, Embankment and Drainage Works (Commercial).
    - A. Irrigation Works.
    - B. Navigation, Embankment and Drainage Works.
44. Irrigation, Navigation, Embankment and Drainage Works (Non-Commercial).
    - A. Irrigation Works.
    - B. Navigation, Embankment and Drainage Works.
    - C. Expenditure financed from Famine Relief Fund.
45. Electricity Schemes.
    - A. Hydro-Electric Schemes.
    - B. Thermo-Electric Schemes.
46. Appropriation to Irrigation and Power Development Fund.

EE. *Capital Account of Multipurpose River Schemes, Irrigation and Electricity Schemes within the Revenue Account.*

47. Capital Outtay on Multipurpose River Schemes.
48. Capital Outlay on Irrigation, Navigation, Embankment and Drainage Works.
    - A. Finance from Famine Relief Fund.
    - B. Expenditure within the Revenue Account.

C. *Deduct*—Amount transferred to 99—Capital outlay on Irrigation, Navigation, Embankment and Drainage Works (Commercial) outside the Revenue Account.
D. Net Capital Expenditure within the Revenue Account.

49. Capital Outlay on Electricity Schemes.
A. Hydro-Electric Schemes.
B. Thermo-Electric Schemes.
C. Amount transferred from 101 Capital Outlay on Electricity Schemes outside the Revenue Account.
D. *Deduct*—Amount transferred to 101 Capial Outlay on Electricity Schemes outside the Revenue Account.
E. Net Capital Expenditure within the Revenue Account.

F. *Public Works (including Roads) and Schemes of Miscellaneous Public Improvements.*

50. Public Works.
51. Bombay Development Schemes.
51-A. Greater Calcutta Development Scheme.

FF. *Capital Account of Public Works (including Roads and Schemes of Miscellaneous Public Improvements within the Revenue Account.*

52. Capital Outlay on Public Works.

G. *Transport and Communications (Other than Roads).*

53. Ports & Pilotage.
54. Mercantile Marine.
55. Lighthouses and Lightships.
A. Capital Account.
B. Revenue Account.
56. Aviation.
57. Road and Water Transport Schemes.
A. Road Transport.
B. Water Transport.
58. Overseas Communications Service.

GG. *Capital Account of Transport and Communications (other than Roads) within the Revenue Account.*

59. Capital Outlay on Aviation.
A. Expenditure within the Revenue Account.
B. *Deduct*—Amount transferred to 112-Capital Outlay on Aviation outside the Revenue Account.
C. Net Capital Expenditure within the Revenue Account.

60. Capital Outlay on Road and Water Transport Schemes.
A. Road Transport.
B. Water Transport.

61. Deleted.

H. *Currency and Mint.*

62. Currency and Coinage.
63. Mint.
63-A. Kolar Gold Mines.

I. *Miscellaneous.*

64. Famine Relief.
    A. Famine Relief.
    B. Transfer to Famine Relief Fund.
    C. Transfer to Famine Fund Deposit Account.
65. Pensions and Other Retirement benefits.
66. Territorial and Political Pensions.
67. Privy Purses and Allowances of Indian Rulers.
68. Stationery and Printing.
69. Opium.
70. Forest.
71. Miscellaneous.

II. *Miscellaneous Capital Account within the Revenue Account.*

72. Commutation of Pensions.

J. *Contributions and Miscellaneous Adjustments.*

73. Payments of States' share of Union Excise Duties.
74. Grants-in-aid to State and Union Territory Governments.
    A. Statutory Grants-in-aid to State Governments.
    B. Other Grants-in-aid to State Governments.
    C. Grants-in-aid to Union Territory Governments.
75. Miscellaneous adjustments between Central and State/Union Territory Governments.
76. Other Miscellaneous Compensations and Assignments.

K. *Extraordinary Items.*

77. Extraordinary charges.
78. Pre-partition Payments.

L. *Defence Services.*

79. Defence Services—Effective—Army.
80. Defence Services— Effective—Navy.
81. Defence Services—Effective—Air Force.
82. Defence Services—Non-effective.

M. *Railways.*

83. Indian Railways—Commercial Lines.
    A. Working Expenses.
    B. Other Miscellaneous Expenditure.
    C. Payments to Worked Lines.
84. Indian Railways—Strategic Lines.
    A. Working Expenses.
    B. Other Miscellaneous Expenditure.
85. Payments to General Revenues.
86. Appropriations from Surplus.
87. Subsidised Companies.
88. Open Line Works.
89. Repayment of Loans from General Revenues.

N. *Posts and Telegraphs.*

90. Posts and Telegraphs.
    A. Working Expenses.
    B. Dividend to General Revenues.
    C. Appropriations from Posts and Telegraphs Surplus.

NN. *Capital Account of Posts & Telegraphs within the Revenue Account.*

91. Capital Outlay on Posts and Telegraphs.

CAPITAL ACCOUNTS OUTSIDE THE REVENUE ACCOUNT

AA. *Capital Account of Security Printing Press and Compensation on the abolition of Zamindari System outside the Revenue Account.*

92. Payment of compensation to Landholders, etc., on the abolition of the Zamindari System.
93. Capital Outlay on the Security Printing Press.

DD. *Capital Account of Social and Developmental Services outside the Revenue Account.*

94. Capital outlay on Improvement of Public Health.
95. Capital Outlay on Schemes of Agricultural Improvement & Research.
96. Capital Outlay on Industrial and Economic Development.
97. Capital Outlay on Broadcasting.

EE. *Capital Account of Multipurpose River Schemes, Irrigation and Electricity Schemes outside the Revenue Account.*

98. Capital Outlay on Multipurpose River Schemes.

DAMODAR VALLEY PROJECT

99. Capital Outlay on Irrigation, Navigation, Embankment and Drainage Works (Commercial).
   A. Irrigation Works.
   B. Navigation, Embankment and Drainage Works.
   C. *Deduct*—Amount financed from Famine Relief Fund.
   D. *Deduct*—Capital Expenditure transferred to 48-Capital Outlay on Irrigation, Navigation, Embankment and Drainage Works within the Revenue Account.
   E. *Add*—Amount transferred from 48-Capital Outlay on Irrigation, Navigation, Embankment and Drainage Works within the Revenue Account.
   F. Net Capital Expenditure outside the Revenue Account.
100. Capital Outlay on Irrigation, Navigation, Embankment and Drainage Works (Non-Commercial).
   A. Irrigation Works.
   B. Navigation, Embankment and Drainage Works.
   C. *Deduct*—Amount met from Famine Relief Fund.
101. Capital Outlay on Electricity Schemes.
   A. Hydro-Electric Schemes.
   B. Thermo-Electric Schemes.
   C. *Deduct*—Capital Expenditure transferred to 49-Capital Outlay on Electricity Schemes within the Revenue Account.
   D. *Add*—Amount transferred from 49-Capital Outlay on Electricity Schemes within the Revenue Account.
   E. Net Capital Expenditure outside the Revenue Account.
102. Appropriation to Irrigation and Power Development Fund.

FF. *Capital Account of Public Works (including Roads) and Schemes of Miscellaneous Public Improvements outside the Revenue Account.*

103. Capital Outlay on Public Works.
104. Delhi Capital Outlay.
105. Chandigarh Capital Outlay.
106. Capital Outlay on Bombay Development Scheme.
106-A. Capital Outlay on Greater Calcutta Development Scheme.
107. Expenditure on Capital for Gujarat.
108. Capital Outlay on Dandakaranya Development Scheme.
108-A. Capital Outlay on Free Trade Zone at Kandla.
109. Capital Outlay on Other Works.

GG. *Capital Account of Transport and Communications (other than Roads) outside the Revenue Account.*

110. Capital Outlay on Ports.
   A. Visakhapatnam Port.
   B. Kandla Port.
   C. Mangalore Port.

D. Tuticorin Port.
E. Paradeep Port.
F. Other Ports.

110-A. Appropriation to Port Development Fund.

111. Capital Outlay on Lighthouses and Lightships.

112. Capital Outlay on Aviation.

A. Expenditure outside the Revenue Account.
B. *Deduct*—Capital Expenditure transferred to 59-Capital Outlay on Aviation within the Revenue Account.
C. *Add*—Amount transferred from 59-Capital Outlay on Aviation within the Revenue Account.
D. Net Capital Expenditure outside the Revenue Account.

113. Deleted.

114. Capital Outlay on Road and Water Transport Schemes.

A. Road Transport.
B. Water Transport.

115. Capital Outlay on Overseas Communications Service.

116. Capital Outlay on Shipping, Tankers, etc.

HH. *Capital Account of Currency and Mint outside the Revenue Account.*

117. Capital Outlay on Currency and Coinage.

118. Capital Outlay on Mints.

118-A. Capital Outlay on Kolar Gold Mines.

II. *Miscellaneous Capital Account outside the Revenue Account.*

119. Capital Outlay on Forests.

120. Payments of Commuted Value of Pensions.

121. Capital Outlay on Sterling Pensions.

122. Capital Outlay on Bombay Lands Scheme.

123. Payments to Retrenched Personnel.

124. Capital Outlay on Schemes of Government Trading.

125. Appropriation to the Contingency Fund.

126. Capital Outlay on Grants for Development.

A. Grants to State Governments.
B. Grants to Union Territory Governments.
C. Grants to other Parties.

127. Capital Outlay on Payment of Compensation and Rehabilitation Grants to Displaced Persons.

128. Transfer of Development Assistance from the Government of U.S.A.

129. Capital Outlay on Payments under Indus Waters Treaty.

129-A. Payments to Pakistan for Unique Institutions.

LL. *Defence Capital Account outside the Revenue Account.*

130. Defence Capital Outlay.

MM. *Capital Account of Railways outside the Revenue Account.*

131. Capital Outlay on Indian Railways—Commercial.
132. Capital Outlay on Indian Railways—Strategic.
133. ———

NN. *Capital Account of Posts and Telegraphs outside the Revenue Account.*

134. Capital Outlay on Posts & Telegraphs.

APPENDIX III

(Referred to in Chapter XIII)

CHARGED EXPENDITURE

Items of expenditure charged on the Consolidated Fund of India/State with the relevant articles of the Constitution enjoining it are given below :

CHARGED ON THE CONSOLIDATED FUND OF INDIA

	Items of Expenditure	Relevant Article of the Constitution
1.	The emoluments and allowances of the President and other expenditure relating to his office.	112(3)(a)
2.	The salaries and allowances of the Chairman and the Deputy Chairman of the Council of States and the Speaker and the Deputy Speaker of the House of the People.	112(3)(b)
3.	Debt charges for which the Government of India is liable including interest, sinking fund charges, and redemption charges and other expenditure relating to the raising of loans and the service and redemption of Debt.	112(3)(c)
4.	The salaries, allowances and pensions payable to or in respect of judges of the Supreme Court.	112(3)(d)(i)
5.	The pensions payable to or in respect of the Judges of the Federal Court.	112(3)(d)(ii)
6.	The pensions payable to or in respect of judges of any High Court which exercises jurisdiction in relation to any area included in the territory of India or which at any time before the commencement of the new Constitution exercised jurisdiction in relation to any area included in a Province corresponding to a State specified in Part A of the First Schedule of the Constitution.	112(3)(d)(iii)
7.	The salary, allowances and pension payable to or in respect of the Comptroller and Auditor General of India.	112(3)(e)
8.	Any sum required to satisfy any judgment, decree or award of any Court or arbitral tribunal.	112(3)(f)
9.	Any other expenditure declared by the Constitution or by Parliament by law to be so charged.	112(3)(g)
10.	The administrative expenses of the Supreme Court, including all salaries, allowances and pensions payable to or in respect of the officers and servants of the Court.	146(3)
11.	The administrative expenses of the office of the Comptroller and Auditor General, including all salaries,	148(6)

	allowances and pensions payable to or in respect of persons serving in that office.	
12.	Grants-in-aid to the revenues of the States of Assam, Bihar, Orissa and West Bengal, in lieu of assignment of any share of the net proceeds in each year of export duty on jute and jute products to these States.	273
13.	Grants-in-aid to the revenues of such States as Parliament may determine to be in need of assistance.	275(1)
14.	Certain expenses of Courts or Commissions and pensions which are liable to be shared between the Union and/or State Governments.	290
15.	Privy purse sums of Rulers of Indian States.	291(1)
16.	Loans to States.	293(2)
17.	The expenses of the Union Public Service Commission, including any salaries, allowances and pensions payable to or in respect of the members or staff of the Commission.	322

CHARGED ON THE CONSOLIDATED FUND OF THE STATE

	Items of Expenditure	Relevant Article of the Constitution
1.	The emoluments and allowances of the Governor and other expenditure relating to his office.	202(3)(a)
2.	The allowances of the Rajapramukh and other expenditure relating to his office as determined by the President by general or special order.	238(10)(i)(a)
3.	The salaries and allowances of the Speaker and the Deputy Speaker of the Legislative Assembly and, in the case of a State having a Legislative Council, also of the Chairman of the Legislative Council.	202(3)(b) and 238 (10)
4.	Debt charges for which the State is liable including interest, sinking fund charges and redemption charges and other expenditure relating to the raising of loans and the service and redemption of Debt.	202(3)(c) and 238(10)
5.	Expenditure in respect of the salaries and allowances of the Judges of any High Court.	202(3)(d) and 238(10)
6.	Any sums required to satisfy any judgment, decree or award of any Court or arbitral tribunal.	202(3)(e) and 238(10)
7.	Any other expenditure declared by the Legislature of the State by law to be so charged.	202(3)(f) and 238(10)
8.	In the case of the State of Travancore-Cochin, sum of fifty-one lakhs of rupees required to be paid annually to the Devaswom fund under the Convenant entered into before the commencement of the Constitution by the Rulers of the Indian States of Travancore-Cochin for the formation of the United State of Travancore-Cochin.	238(10)(ii)

APPENDIX IV

(Referred to in Chapter XIV)

EXTRACTS FROM CHAPTER VIII OF THE CENTRAL PUBLIC ACCOUNTS COMMITTEE'S FOURTH REPORT (THIRD LOK SABHA)

SCOPE AND EXTENT OF AUDIT CONDUCTED BY THE COMPTROLLER AND AUDITOR GENERAL OF INDIA AND THE FORM AND CONTENT OF AUDIT REPORT

During the course of discussion on Demands for Grants for the Defence Ministry on the 31st May, 1962, the Minister for Defence referred to the manner in which audit of the accounts of Defence Services is being conducted and audit report thereon presented to Parliament, and suggested that the Members of the Public Accounts Committee might consider the matter. In course of interpellation on the subject in Parliament on the 18th June, 1962 the Finance Minister stated that the reports of the Comptroller and Auditor General were considered by the Public Accounts Committee and it was open to the Committee to seek elucidation on any point from the Comptroller and Auditor General.

As it is desirable that there should be clear appreciation of the scope of functions such an important constitutional authority as the Comptroller and Auditor General, the Committee decided to examine the matter with reference to the constitutional and legal provisions as also to the practice obtaining in the matter in other democratic countries like U.K. and U.S.A.

The following aspects of the question were considered by the Committee in particular:

(*i*) What is the extent and scope of Audit conducted by the Comptroller and Auditor General ? Does the system of administrative audit fall within the purview of the Comptroller and Auditor General ?

(*ii*) What should be the form and content of Audit Report on the accounts of Government submitted by the Comptroller and Auditor General ?

(*iii*) In auditing the accounts of the Government, should Audit make independent enquiries from private individuals or members of the general public ?

Audit Reports are submitted in pursuance of Art. 151 of the Constitution which enjoins that the Comptroller and Auditor General shall submit his report on the accounts of the Union and the States to the President and the Governor for being laid before Parliament and the State Legislatures. Neither the Constitution nor the Audit and Accounts Order, 1936, as adapted, has defined the scope and extent of audit conducted by the Comptroller and Auditor General. This has been left, as in other democratic countries to the sole discretion of the Comptroller and Auditor General. To enable him to prepare his report he has laid down the principles and issued intructions for the guidance of the officers and staff of the Indian Audit and Accounts Department for conducting the audit of the accounts of the Union and the States, etc. These processes today are substantially the same as they were before the inauguration of the Constitution.

The main controversy in regard to the scope and extent of Audit centres round the statement that the audit of the Comptroller and Auditor General is a financial and not an Administrative Audit. A statement like that is apt to create confusion and it is therefore necessary to state what is meant by Administrative Audit. Administrative Audit may be defined as an examination of the technical and organisational processes of the administrative apparatus with a view to see how far the apparatus is working with maximum efficiency and what technical and organisational changes should be made so that the optimum results could be obtained. This examination must of necessity be the primary responsibility of the administrative departments and for this purpose they will have to have a built-in organisation in the departments themselves. The Public Accounts Committee examined this aspect of Administrative Audit as early as in 1951 and in their report on the accounts of 1947-48 (post-partition) made the following recommendation :

> "While discussing the case mentioned in para 21(i)(3) of the Audit Report on Civil Accounts, we accepted the suggestion of the Comptroller and Auditor General that in order to obviate such cases in future a system on the pattern of an administrative audit in vogue in the M.E.S. should, in addition to the audit exercised by his officers, be introduced in all the large spending departments such as the C.P.W.D."

This recommendation was reiterated by the Public Accounts Committee in subsequent years also. The system of Administrative Audit thus envisaged requires the setting up of an organisation in the department itself for carrying out an internal check of their transactions and for exercising proper control by inspections and scrutiny of relevant data on the work done by the executive officers. In pursuance of this recommendation, the organisation of the Chief Technical Examiner was set up by the Ministry of Works, Housing and Supply. The Ministry of Irrigation and Power has also accepted the suggestion for implementation in the various Multi-Purpose River Valley Projects.

Administrative Audit as explained above does not come within the purview of the Comptroller and Auditor General. The Audit conducted by him does not concern itself with the audit of administrative organisations and procedures as such. However, when a particular course of administrative action has resulted in waste, extravagance or improper expenditure, it is certainly the duty of Audit to call specific attention to matters of that kind and to bring the facts to the notice of Parliament. For instance, in a project for construction of a canal, Audit would not concern itself with the administrative set-up for the actual construction of the canal, the qualifications of the staff, the manner of recruitment, the alignments of the canal, whether it should pass through a particular part of the country or not, etc. These are matters which are purely the concern of the Administration as such and no scrutiny of these processes, which is an important aspect of Administrative Audit, is to be done by the Comptroller and Auditor General. But, if in the process of execution, it is found that the alignments had been drawn up on insufficient data necessitating a subsequent change involving additional or infructuous expenditure or that the financial results were less than had been anticipated, then it is clearly the duty of Audit to examine the circumstances which resulted in the wrong alignments being decided upon in the first instance resulting in loss or avoidable expenditure to the tax-payer or those which led to a fall in return. Such an examination, though an aspect of Administrative Audit, unquestionably falls within the ambit of Comptroller and Auditor General's audit. It is not the intention that Audit should encroach upon purely administrative matters or range over the entire field of administration. But where administrative action has serious financial implications, it is the duty of Audit to see that administrative action is not only in conformity with prescribed law, financial rules and procedure but it is also proper and does not

result in any extravagance, loss or infructuous expenditure.

The Committee also examined in this connection the position that prevails in this regard in U.K. and found that the practice in this regard is exactly similar to the practice that is obtaining in our country. In the United Kingdom "with the approval of the Treasury and of the Public Accounts Committee, and often at their instigation, the Auditor General is want to push his inquiries further than the letter of the statute warrants, and to inquire also into any payments which on the face of the documents submitted to him appears to be imprudent and wasteful... As distinguished from his Appropriation Audit, this may be called his Administrative Audit. If in the course of his examination he becomes aware of facts which indicate improper expenditure, or loss of public money, or waste of it, he is not debarred from calling to them the attention of the Treasury and the Committee by the fact that there is nothing irregular in them according to the scheme of appropriation. It is even his duty to do so... In contrast with appropriation part of the Auditor General's work, necessary no doubt but technical, this administrative part is of the highest practical value as a remedy for the epidemic complaint of financial administration in these days of vast expenditure, neglect of rigid economy in details" (Hilton Young—The System of National Finance). This extension of audit "arose out of the normal scrutiny of accounts, for losses, frauds, unusual charges and outstanding claims all appeared on the face of the accounts, had to have Treasury sanction and needed explaining. Inquiries of this nature led to investigation of the circumstances under which such irregularities occurred and, thus, directly to a consideration of machinery and means, departmental methods and action... Thus, by a natural growth of their functions, the (Public Accounts) Committee and the Comptroller and Auditor General were being led to a wider investigation of departmental action and to questions of economy and efficiency" (Basil Chubb—The Control of Public Expenditure).

As regards the second item, *viz.*, the form and content of the Audit Report, the Committee consider that as an instrument of Parliamentary Control over Financial transactions of Government it is essential that Audit Reports must be independent and objective. It is because of its vital importance that the Constitution has taken special care to see that the Comptroller and Auditor General can perform his duties "without fear or favour, affection or ill-will". The Constitution has not, therefore, prescribed the form and content of the Audit Report. It is no doubt necessary that the factual statements relating to various transactions mentioned in the Audit Report should be correct and Comptroller and Auditor General takes all possible steps to verify the facts. The different matters mentioned in the Audit Report are earlier sent in the form of draft paragraphs to the Ministries and Departments so that the facts stated in the paragraphs can be verified by them. The comments made in various matters are, however, his own, but in framing his comments the viewpoints of the Ministries and Departments are always taken into account and where necessary these are also mentioned in the Report. If the Audit Reports are to be of any value to Parliament it is essential that the matters to be included and the comments to be made therein are left to the sole discretion of the Comptroller and Auditor General.

The position of the Comptroller and Auditor General in this regard in the United Kingdom is substantially the same as in India. He has a completely free hand in the matter of the form and content of the audit report. As a matter of fact, the Select Committee on Public Accounts in U.K. have encouraged the Comptroller and Auditor General to scrutinise and criticise improper and wasteful expenditure and to indicate where censure was, in his opinion, required. Commenting on an objection raised about the competence

of the Comptroller and Auditor General to enter upon matters of administration, the Committee on Public Accounts, U.K., in the year 1888, had observed in their Second Report :

> "It is, no doubt, difficult in all cases to draw a distinction between questions bearing directly on audit matters and those which may trench upon the administrative functions of the Secretary of State. At the same time if, in the course of his audit, the Comptroller and Auditor General becomes aware of facts which appear to him to indicate an improper expenditure or waste of public money, it is his duty to call the attention of Parliament to them..."

The Government of U.K. accepted this view and it was stated in the Treasury Minutes :

> "My Lords think it important that the Comptroller and Auditor General should have great freedom in drawing his reports to Parliament. He may draw attention to any circumstance that comes to his knowledge in the course of audit, and point out its financial bearing."

In all democratic countries it has been accepted that it is the function of the Comptroller and Auditor General to satisfy himself that every expenditure has been incurred with "faithfulness, wisdom and economy". As regards the matters to be included in the Audit Report, the Committee were assured that the long standing practice followed in India is on all fours with that in the United Kingdom. This practice has been described in the following words of Mr. D. C. Richmond, the then Comptroller and Auditor General of the United Kingdom in his evidence before the Select Committee on National Expenditure of 1903 :

> "In the first instance, my object is to report in such a way as to assist the House of Commons in making its way through what may be a very bulky volume of accounts; but beyond that I do not feel myself debarred from calling attention to anything which has occurred in the course of my audit during the year which indicates loss or waste, or anything of that kind, which I think it is well that Parliament should know. Of course in doing so, I have to act with great care and discretion. It is not for me to criticise administrative action as such; the departments are responsible for their own action as regards general administration; but if I find the result of administrative action has been a loss or a wastefulness of public money, then...as an officer of the House of Commons, if I call specific attention to matters of that kind, even though the account itself would not disclose the facts... Even if an account were in perfect order, I would in practice call the attention of Parliament to any instance of waste or extravagance."

It would be worth noting here that the above Select Committee on National Expenditure further recommended to the Public Accounts Committee.

> "Even more than in the past, to encourage the Comptroller and Auditor General to scrutinise and criticise improper and wasteful expenditure, and to indicate where censure is in his opinion required."

That this practice still continues to be implemented in the United Kingdom is evident from the following extract of the evidence given by the Treasury to the Public Accounts Committee in 1951 :

> "This wider responsibility (of the Accounting Officer) has gone hand in hand with the tendency of succeeding Comptrollers and Auditors General to exercise freely their rights of drawing the attention of the Public Accounts Committee to cases of waste and inefficiency in the conduct of a Department's business—a much wider responsibility than that of merely attesting the technical correctness of the payments.

Accounting officers have, therefore, to be prepared to defend the conduct of their Department's business in this wider sense and to make good, not only the 'correctness and propriety' of the payments in the technical sense, but the efficiency and economy of the administration."

The position in regard to the scope and extent of audit, and the form and content of Audit Report is also similar in U. S. A. Section 312 of the Budget and Accounting Act, 1921, provides that the Comptroller General in his reports to the Congress "shall make recommendations looking to greater economy or efficiency in public expenditures... He shall submit to Congress reports upon adequacy and effectiveness of the administrative examination of accounts and claims in the respective Departments and Establishments and upon the adequacy and effectiveness of departmental inspection of the offices and accounts of fiscal officers."

The Committee are, therefore, definitely of the view that it is the function of the Comptroller and Auditor General to satisfy himself not only that every expenditure has been incurred as per prescribed rules, regulations and laws, but also that it has been incurred with "faithfulness, wisdom and economy". If, in the course of his audit, the Comptroller and Auditor General becomes aware of facts which appear to him to indicate an improper expenditure or waste of public money, it is his duty to call the attention of Parliament to them, through his Audit Reports. At the present time when there is heavy taxation and heavy expenditure, the Committee hope that Comptroller and Auditor General will pay even greater attention than in the past to this aspect of his duties and that Government will give him every facility to perform them.

As regards the third item, *viz.*, whether the Audit authorities should make independent enquiries from private individuals or members of the general public, the Committee would like to invite attention to the statement made by the then Comptroller and Auditor General of India (Shri V. Narahari Rao) at the meeting of the Public Accounts Committee held on the 22nd May, 1951, regarding the procedure followed in the preparation and submission of Audit Reports to Parliament as given in Appendix L, Annexure II of their First Report (First Lok Sabha). The relevant extract from this statement is enclosed in Appendix I for ready reference. It explains in detail the various processes adopted by the Audit department in the preparation and presentation of auit reports. The facts included in the Audit Reports are not only based on official documents but are also vetted by the departments concerned. The Committee have ascertained the present position from the Comptroller and Auditor General and they have been assured that the procedure outlined in the Appendix continues to be followed and that there has been no case where matters reported in the audit reports were based on facts other than those obtained through official channels. The witnesses from the Defence Ministry were unable to quote any instance where audit comments in the Report had been based on information from sources other than Accounts, official records and documents.

The Committee understand that a healthy convention has been built up in our country for making available to the Comptroller and Auditor General all documents and records relating to any financial transaction of the Government. This enables him to properly discharge his constitutional functions. Effective and useful audit may not always be possible by a mere examination of the accounts and subsidiary documents such as vouchers submitted to audit. It is only as a result of the examination of all relevant documents leading to a particular transaction including the sanction that it is possible to arrive at a final audit view in the matter. It is also an accepted convention for the Auditor General in U.K. to call for any document relating to transactions to which his duties in respect

of Audit extend. The position in this regard has been very clearly stated by Durell in his "The Principles and Practice of the System of Control over Parliamentary Grants" in the following words :

> "He (the Comptroller and Auditor General) alone is competent to say what information is necessary for the discharge of his statutory functions, and if required for audit purposes it cannot be withheld... He is bound to afford to Parliament the fullest and best information in his power with regard to expenditure; but Parliament would not require to be furnished with information which it would not be in the public interests to make public. In the exercise of this, as in that of many other of his functions, the decision must be left to his discretion."

In U.S.A. the Budget and Accounting Act specifically provides for the production of all records which the Comptroller General requires for the purpose of audit. On a complaint made by the Comptroller and Auditor General in U.K. in 1917 the Treasury agreed with the Public Accounts Committee in sharing the hope that the documents necessary to enable the Comptroller and Auditor General to audit Navy Accounts would in future be supplied to him with the least possible delay. The Committee understand that even in the worst days of the Second World War, no restrictions were placed on the Comptroller and Auditor General in U.K. and U.S.A. in the matter of calling for such papers and files as they considered necessary.

ERRATA

Page	*Line*	*For*	*Read*
11	17	statutoty	statutory
14	12	close the bracket after the words "Audit officers"	
15	29	who	which
18	24	Commissoriat	Commissariat
22	33	considered that	considered
24	15	deal	dealt
,,	Penultimate line	whence	where
30	19	Establishment	establishment
32	3rd line from bottom	whole	work
35	21	the	an
43	3rd line from bottom	this	his
48	22	has	had
51	12	the	be
,,	28	(,)	(.)
63	4	policy	polity
70	18	of	or
83	13	Office	Officer
,,	23	America	American
85	2	insert (,) after "India"	
,,	3	end the quotation mark after "Commonwealth"	
91	1	India	and India
93	10	jurisdiction	Jurisdiction
,,	17	transaction	transactions
95	15	insert (,) after "Revenues"	
97	1	delete the first word "the"	
99	Penultimate line	the committee	was constituted
103	8	Kariakal	Karaikal
,,	19	, with	. With
113	3	Account	Accounts
114	8	post	port
116	5	later	latter
117	32	Comptroller Civil	Commercial
119	1	(.)	(,)
120	11	for the first word read	"its"
,,	12	for the first word read	"come"
122	24	Accountants	Accounts
137	13	that	the
,,	29	Railways	Railway
,,	35	, certain	. Certain
139	1	Railways	Railway
140	16	mearly	nearly
153	4	officers	offices
157	25	were	was
160	2	variousd istricts	various districts
,,	13	(,)	(.)
163	27	Office	Officers
176	9	Commissioners	Commissions
193	Last line	(,)	and
196	6	capital	Capital
212	29	2,750	3,000

Page	*Line*	*For*	*Read*
215	17	omit the word "pay"	
216	15	insert "a" between "until" and "carefully"	
238	Last line	150	1500
239	Ist line of foot notes	46	26
278	11	felter	fetter
315	34	Insert "the" before "scheme"	
370	3rd line from bottom	he	the
375	5th line from bottom	actual	accrual
378	28	d partment	department
380	34	Insert "and Defence" after "Posts	and Telegraphs"
385	22	Currents	Current
412	12	1955	1935
442	18	(.)	(,)
469	Last line above foot notes	the following	following the
479	21	statements	statement
482	Last line	Parliaments	Parliament
487	12	w s	was
488	25	that	them
493	12	p iation	priation
,,	26	omit the word "on"	
514	16	Accountant General	Accountants General
519	11th line from bottom	Commissioner	Commissioners
520	16	omit the word "that" between "were" and "some"	
,,	31	was raised	were raised
521	20	their	its
522	13	Speical	Special
560	32	of	or
,,	34	for	from
597	8th line from bottom	Cotroller	Controller
599	10	Insert "who" between "Chiefs" and "together"	
644	6	want	wont

ADDENDUM

Page 243, *line* 10

ADD AT THE END

"This stands revised with effect from the 1st September, 1965 to Rs. 3000 per mensem for 'new entrants'."

(Ministry of Finance, Department of Expenditure, No. F 1 (16) EGI/65, dated the 1st January, 1966.)

Page 253, *line* 14

ADD AT THE END

"The increase in pay from the 1st September, 1965 to Rs. 3000 per mensem for 'new entrants' in respect of the post of Deputy Comptroller and Auditor General has been mentioned earlier. The pay of all posts in the Accountant General's grade has also been revised from the 1st June, 1965 to Rs. 1800—100—2000—125—2250 and the selection grade of Rs. 2000—125—2250 abolished from the same date."

(Ministry of Finance, Department of Expenditure No. 1(2)-EGI/64, dated the 3rd July, 1965.)